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NEWS SUMMARY

GENERAL

Howe's plan for national recovery

A future Tory Government would aim to tilt the balance of power away from the trade unions, cut public spending programmes and re-establish conditions for wealth creation.

This was stated yesterday by Sir Geoffrey Howe, Shadow Chancellor of the Exchequer, when he outlined what he called "a quite different approach" by the party to national recovery.

"They represent no prescription for a miracle cure but a considered programme that will be deliberately and firmly pursued," he said in a letter to his East Surrey constituency chairman. Back Page

Belfast murders

Provisional IRA is thought responsible for the murders of a retired prison officer and his wife in their North Belfast home as part of its campaign to gain political status for jailed terror suspects.

Malaria dangers

Malaria is making a comeback into Britain and health authorities around airports and docks are becoming concerned. The number of cases rose from 200 in 1970 to over 1,700 by 1975, and there were seven deaths last year.

[illegible] arrests

[illegible] people were [illegible] in a bid [illegible] dissent [illegible] ex-Premier Bhutto's appeal against the death sentence. Page 2

Reservoir dispute

The Government has been asked to adjudicate in a dispute between the Northumbria Water Authority and the Forestry Commission over land ownership around the Kielder Dam, the £115m reservoir project. Page 4

Jumbo jet shot

Police are investigating an incident at Heathrow Airport in which a shot shattered a Jordanian Airlines jumbo jet window. A guard was said to be checking his pistol when it accidentally went off.

Kampala 'gunfire'

Heavy gunfire was reported in central Kampala. Electricity supplies and radio programmes were interrupted. Ugandan exiles in Nairobi spoke of strong pressure on President Amin from opposition forces.

Andreotti talks

Sig Guilio Andreotti, the Italian Prime Minister who resigned last week, is to start preliminary talks with party leaders by tomorrow in a bid to form a new Government. Page 2

Briefly . . .

A climber was found dead and three others suffering from injuries and overnight exposure on Mount Snowdon.

Illegal fur trappers are selling badger skins to foreign dealers at £40 each says the RSPCA.

Brazilian Grand Prix was won by Jacques Lafitte of France (Ligier), the winner of the Argentine race.

Mrs. Winifred Ewing will be Scottish Nationalist candidate for the Highlands and Islands in the European Parliament elections.

The winners of this week's £75,000 and £50,000 Premium Bond prizes both live in Manchester. The numbers: 17VB 591140 and 4MW 777747.

BUSINESS

Claims 'could harm growth'

● BUSINESS confidence has continued to ebb in the past month, the Financial Times survey of business opinion has shown. Many businessmen feel that while the lorry drivers' strike is likely to be too short an event to have lasting impact on business activity, a spate of large wage claims will force the Government to clamp down, which in turn will lead to slower economic growth. Back and Page 40

● NATIONAL Economic Development Council meets on Wednesday when both sides of industry will pledge their support for a further year's work on the Government's industrial strategy. Back Page

● GRADUAL pick-up in the price inflation rate during the first half of this year is expected to be underlined in three sets of official figures due this week—the January wholesale price indices out today, followed by the banking figures for mid-January tomorrow and central government borrowing requirement due on Friday. Page 3

● ECONOMIC assumptions behind the Government's public spending plans are criticised as being unrealistic and wrong by leading City and academic economists in memoranda submitted to an all-party committee of MPs. Page 3

● HEALTH INSURANCE for employees is being provided by an increasing number of employers in spite of restrictions imposed by pay [illegible]. Figures provided by the [illegible] leading medical insurance associations show an 11 per cent rise in membership during last year. Page 5

● BSC has announced price increases in a wide range of special steels, reflecting the sharp rise in the cost of molybdenum. The increases come into effect on March 4. Back and Page 5

The steel foundry industry meanwhile, has protested at the sharp rise in the price of ferrous scrap. Page 4

● EEC FARM MINISTERS begin negotiations in Brussels today on Commission proposals for this year's farm price review, but little can be achieved until France and Germany reach a compromise on the phasing out of Monetary Compensatory Amounts. Back Page

● BL CARS senior shop stewards are expected to vote by a clear majority in Coventry today for a total strike by 100,000 manual workers from next Friday, over the management's refusal to back-date to November parity payments due this month. Page 5

● CHRYSLER Corporation seems unlikely to be able to draw the $250m of Federal loan guarantees it sought late last year, as the Carter Administration has decided to limit this type of assistance to $50m to any one company. However, the Administration is believed to be considering other forms of aid for the company. Page 35

● ENGLISH PROPERTY Corporation net assets amount to £71m—equal to 68p a share, fully diluted—according to draft accounts published this weekend in response to a 37p a share bid from the Dutch property group Wereldhave. Page 34 and Lex

● UNIROYAL, the third largest U.S. tyre manufacturer may be the subject of a takeover bid by Gulf and Western Industries, following disclosure last week that Gulf had purchased a 6.1 per cent stake in Uniroyal. Page 35

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FEATURES

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Iran decision to cut defence spending is blow to Britain

BY SIMON HENDERSON IN TEHRAN AND PATRICK COCKBURN IN LONDON

Details of a savage pruning of Iranian defence contracts, foreshadowed by the suspension of military orders last week, have emerged in Tehran. The extent of the cancellations, still to be formally announced, will be a major blow to the U.S. and British defence industries.

Britain is scheduled to lose $2.5bn of contracts and the U.S. $8bn in orders, according to senior diplomats in Tehran. The Ministry of Defence in London said it had yet to be formally told of the planned cancellations.

Contracts for Italian frigates and West German submarines are also believed to be near cancellation.

Britain is expected to argue hard for the continuation of the Iranian order for over 1,200 Chieftain tanks worth over $1.4bn. Most were to be equipped with the revolutionary Chobham armour.

But contracts that can virtually be written off are: $800m deal with Dynamics Group of British Aerospace for Tracked Repier anti-aircraft missiles; four naval support vessels worth $120m; a tank workshop at Dorud near Khorramabad worth $160m; and the $120m British share in the Isfahan military industrial complex.

Clarifying last week's announcement on the suspension of contrates, the Iranians have told British officials in Tehran that they will discuss the situation.

The Ministry of War in Tehran will make no more payments and authority to continue on pre-paid contracts is revoked. Negotiations leading to formal cancellation of the British contracts are expected to begin soon in Tehran.

American cancellations are worth more with $8bn out of a total of $12bn in outstanding contracts to be cancelled.

About $4bn of orders remain but their future now looks uncertain.

Contracts scheduled for cancellation include 160 F-16 fighters from General Dynamics. These were to be delivered by 1980 and the Iranians had previously requested another 140 F16s. The total contract would have been worth $3.2bn.

Others are: seven Airborne Warning and Control Systems (AWACS) aircraft from Boeing worth $1.1 bn; twenty F4 Phantom reconnaissance aircraft from McDonnel Douglas worth $500m; and a contract with Litton Systems for two Spruance destroyers each worth about $367m.

American contracts expected to go ahead are for the sale of two other Spruance destroyers and two Tang class submarines worth $18m each when ordered in 1975. One submarine has been delivered and a third was soon to be commissioned but has been cancelled.

Iran will also reduce its orders for Hawk anti-aircraft missiles and Phoenix air to air missiles.

Hundreds of small contracts covering munitions communications vehicles spare parts and port services also to be cut. The deal to build a naval base at Chah Bahar on the Gulf of Oman by the Texas-based contractor Brown and Root is another project on the cancellation list.

Talks between Iranian and American officials on cuts have been going on for three months but became very detailed in the last ten days. Mr. Erich von Marbod, a senior defence department official, travelled to Iran for the negotiations.

It is still planned for Bell Helicopters and Gruman aerospace to continue operations and maintenance training programmes, for the army helicopters and the air-force F-14 fighter—but on a reduced scale.

Given the political uncertainty and the Ayotollah Khomeini's condemnation of foreign advisors even these must be in doubt.

British advisory teams for the tanks to train marines and serving in the Tehran headquarters are being withdrawn. American advisors are expected to be halved from 1,000 and American defence contract workers reduced by about 75 per cent to 1,250.

Other projects assumed to be near cancellation are with Italy for six Lupo-class frigates and with West Germany for six type 209 small submarines.

Callaghan sees new pact with unions as vital

BY RICHARD EVANS, LOBBY EDITOR

SENIOR Ministers hope Mr. Callaghan's weekend speech, in which he hinted at the setting up of a board to consider pay differentials and anomalies and seemed to show greater flexibility over local authority wage negotiations, will speed an agreement between the Government and trade unions on a new social contract.

The Prime Minister will be chairman of today's Downing Street meeting between economic Ministers and TUC leaders to assess progress made in the attempts to reach such an understanding.

No agreement is expected this week but the hope remains that there will be a consensus reached within the next fortnight not only on pay policy, but on the wider industrial issues of picketing, the closed shop and the use of the strike weapon.

A concordat or new social contract is seen as more vital than ever to Labour's electoral prospects following threats of increased industrial action by local authority and hospital workers.

This explains both the forceful condemnation by the Prime Minister on Saturday of the current use of the strike weapon and the more conciliatory attitude he appeared to adopt towards the lower paid.

Mr. Callaghan highlighted the possibility of a Comparability and Relativities Board and an annual review of the economy in which the TUC would play a major role. So far the Relativities Board has only been discussed in general terms but its chief purpose would be to establish comparability between public and private sector pay.

But Mr. Callaghan's plan for an "authoritative institution" had a mixed reception. The Conservatives saw it largely as an electoral gimmick and Mr. David Basnett, general secretary of the Municipal Workers, said the proposals did not go very far and could only be long term.

In his speech to Labour's local government conference at Newcastle, the Prime Minister appeared to give the green light to local authorities to settle their manual workers' pay claim at up to 10 per cent, an increase of more than 1 per cent on the expected offer.

This was seen initially as initially as another softening of the Government's pay policy in the face of intense pressure from the striking local authority workers, but Ministers claimed yesterday it underlined the hardening of attitudes in the Cabinet.

The point being made was that Mr. Denis Healey, Chancellor of the Exchequer, was determined to defend his strict cash limits and the Prime Minister's insistence on only supporting a settlement in single figures was a clear indication of where the Government was prepared to make a stand. Anything more would have to be paid out of the rates.

Mr. David Ennals, Social Services Secretary, at the same conference, launched a passionate attack on inflationary wage deals and described the present going rate of around 15 per cent as "a codeword for disaster."

The Prime Minister was particularly forceful in his condemnation of the use of strikes which, he said, had always been seen as a weapon of last resort "but nowadays strikes are used even before the current agreement has expired. That is wrong."

UK hopes China contracts will be signed this month

BY JOHN ELLIOTT AND IAN HARGREAVES

THE GOVERNMENT hopes China will sign contracts for the construction of steel works, coal mines and power stations, and complete arrangements to buy aircraft and ships when a UK trade delegation visits Peking later this month.

There will also be talks on the possibility of British companies selling warships, hovercraft, and other sophisticated naval equipment to China.

The delegation will include 10 senior industrialists and a trade union official, and will be led by Mr. Eric Varley, Industry Secretary. They intend to complete the terms of a trade deal totalling at least £10bn over the next five years.

The deal hinges on China's wish to buy Harrier jump jets from the UK. This has already caused political controversy, which may be increased by British Shipbuilders' interests in selling warships and other military equipment.

A delegation from China is due in Britain next month, and is expected to spend four weeks touring British Shipbuilders' naval yards, the British Hovercraft Corporation and several manufacturers of naval weapons and electronic equipment.

There has been a steady flow of information recently between British Shipbuilders and China, but the delegation's visit provides the first concrete evidence that the corporation is actively pursuing warship contracts. Mr. Michael Casey, British Shipbuilders' chief executive, is in Mr. Varley's team.

Britain's decision to sell the Harrier to China, which has angered Russia, was announced by the Prime Minister at the Guadeloupe summit early last month.

In return, the UK Government wants to secure a major role for its companies in China's massive industrialisation programme. Ministers hope Mr. Varley's visit to Peking will lead to the signing of about four detailed contracts.

The 10 industrialists on the delegation have been chosen because of their recent involvement in negotiations for the contracts.

Sir Charles Villiers, British Steel chairman, and Sir John Buckley, Davy International chairman, want to complete terms for modernising two steel works, and to discuss further orders for new work.

Mr. Allen Greenwood, deputy chairman of British Aerospace, and a senior executive from Rolls-Royce Ltd. hope to complete the Harrier arrangements, and will look for further aircraft orders.

Mr. Laurence Mills, a member of the National Coal Board, will discuss contracts for modernising the Chinese coal mining industry, and Lord Nelson, GEC chairman, will discuss China's plans to build at least four power stations.

Three industrialists will investigate opportunities for their industries to sell construction equipment, diesel engines and machine tools to China. They are Mr. William de Vigier, chairman of Acrow, Mr. David Plastow of Rolls-Royce Motors, and Mr. John Mayhew-Saunders of John Brown.

The trade unionist is Mr. Eric Hammons, of the Electrical and Plumbing Trades Union. He is also chairman of one of the industrial strategy's sector working parties on micro-electronics.

On ships, China is said to be particularly interested in Vosper Thornycroft's designs of frigates and coastal patrol boats. The company is taking

Continued on Back Page

Water workers want offer raised to 17%

BY PHILIP BASSETT, LABOUR STAFF

WATER EMPLOYERS may have to increase their 13.9 per cent pay offer to the industry's 33,000 manual workers to about 17 per cent today to stave off national official strike action by members of the National Union of Public Employees.

Such an increase would strengthen the pressure on health and local authorities to improve their proposal for 8.8 per cent rises—not yet put to union negotiators—and would make the deal even more of a pace-setter for public sector pay settlements.

Leaders of the public services' dispute warned before the weekend that industrial action was likely to increase this week. Mr. David Ennals, Social Services Secretary, speaking at the Labour local government conference, said yesterday that health service workers would not further their cause by placing the welfare of the sick at risk.

Negotiations on water workers' pay resume today against the background of a decision at the week-end by the NUPE executive to call the union's 10,000 members in the industry to take national strike action if the 13.9 per cent offer was not significantly improved.

Consolidation of a £6 supplement from Phase One and the conditions attached to a £5 weekly efficiency bonus have been the main stumbling blocks to the offer's gaining union acceptance, and will be the areas of improvement the National Water Council, which represents nine regional water authorities, will concentrate on today.

The conditions make it clear that the bonus will not be awarded to workers who take sick leave unless it is for more than four weeks.

Furthermore, they will not receive the supplement during annual leave or on national or bank holidays. The unions claim the supplement should be based on daily rather than weekly attendance, and that the sickness and holiday conditions should be withdrawn.

The employers, who have been considering improvements to the offer over the weekend, will make it clear today how far they are prepared to go to lift the conditions. If the improvement is considered "significant" by NUPE officials, the strike call will be suspended.

Mr. Alan Fisher, NUPE general secretary, is expected to meet Mr. Ennals today to discuss setting up a joint committee to examine breaches in the code of conduct for health service and local authority workers on maintaining emergency services.

Mr. Ennals, speaking in Newcastle, praised the attempts of union leaders to ensure that the code was upheld at local level. He said action ought to be de-escalated.

He said he and the Prime Minister had been under pressure to call for volunteers, but that an appeal would be "rash and foolhardy" if it led to a deterioration in essential services.

BL strike vote Page 5

Inco quotes nickel price

BY JOHN EDWARDS, COMMODITIES EDITOR

IN A BID to restore stability to the nickel market, the Inco group has decided to start publicly quoting its prices again. Inco, the bigesst nickel producer in the world, stopped quoting prices, except on a "confidential" basis, in July 1977 because of the highly competitive conditions in the market.

The company claimed its price quotations had been used by other producers as a basis for offering sizeable discounts to win sales from Inco. "Confidential" pricing enabled Inco to be more competitive, but it caused considerable disruption in the market when Inco abandoned its traditional price leadership role.

However Inco now feels that market conditions have improved sufficiently for it to resume official price quotations. Its new world price for plating nickel is U.S.$2.10 a pound. The price of melting nickel is $2.05 and charge nickel $1.96.

Inco will not say how these compare with existing prices, but they are said to be only equal to net average prices in 1978 and are well below the last officially quoted prices in October 1976 when electrolytic nickel cost $2.41.

Rising demand for stainless steel—the main outlet for nickel—is claimed to be one reason for the improved market conditions. Another is the five-month old strike by workers at the Sudbury mines in Canada, which normally provide the bulk of the company's production. This has reduced the huge surplus of nickel which depressed prices.

N. Sea interest relief grants criticised

FINANCIAL TIMES REPORTER

THE Department of Energy has been criticised for failing to follow its own rules on interest relief grants to UK suppliers of oil and gas field equipment and services for the UK continental shelf.

More than 10 per cent of the first £18.3m in grants were made outside the terms of the Department's own guidelines, Sir Douglas Henley, the Comptroller and Auditor General, says in a report to Parliament.

Recovery of excess or unauthorised payments totalling £97,700 is being sought, but £1.896m paid in 1977-78 and earlier has had to be written off.

The Department also estimates that a further £5.6m is liable to be paid in 1978-79 and later years under continuing commitments, where grants were "consciously agreed outside the terms of the guide," Sir Douglas says.

The errors came to light when the Exchequer and Audit Department conducted a test examination of grants paid up to June, 1978.

A detailed scrutiny of payments not covered by Sir Douglas's staff has been ordered by the Treasury. The full extent of the excess payments may not therefore have been established, Sir Douglas reports.

Department of Energy officials are expected to be subjected to tough grilling by the all-party Commons Public Accounts Committee, to which the Auditor General reports. The committee has become increasingly critical in recent years of slack administration of Government subsidy schemes and other spending programmes.

The European Commission in Brussels can also be expected to take a close interest. It has held the interest relief grant scheme to be in breach of Community rules, since it discriminates unfairly against other Common Market suppliers.

The scheme was designed to compensate UK companies for the preferential export credit rates available to overseas suppliers, who at first were mostly American. The continental shelf does not qualify as an export market for ECGD assistance.

OVERSEAS NEWS

Owen hopeful on Namibia

By David Buchan in Washington

AGREEMENT for a United Nations force to supervise elections leading to independence for Namibia could come by the end of this month. This was the one hopeful note sounded by Dr. David Owen, the British Foreign Secretary, after two days of talks here with Mr. Cyrus Vance, the U.S. Secretary of State, on Southern Africa and other issues.

Both men reiterated their governments' commitment to the Anglo-American plan on Rhodesia, calling for U.N.-supervised elections there following a ceasefire, but conceded in a joint Press statement: "*There is no solution or end to the war in sight.*" After his second day of talks on Saturday, Dr. Owen admitted there was a "sense of despair" about Rhodesia.

However, an early resolution of the Namibian issue could *show the warring parties in the* Rhodesian conflict that disputes in Southern Africa could be solved by peaceful means, he said. The Foreign Secretary said the main snag holding up agreement on Namibia now was the composition of the U.N. *force to be sent there.*

Dr. Owen, who breakfasted with a group of senators on his four-day trip to the U.S., made clear the British Government's view that Congress should not lift sanctions on Rhodesia, even after the April 20 elections Mr. Ian Smith is planning to hold.

Dr. Owen warned that it would be "utter folly" for the U.S., in the wake of the highly successful visit here by Mr. Deng Xiaoping, the Chinese Vice-Premier, to take sides with Peking against Moscow. Detente with a major superpower like the Soviet Union had to continue, he said.

Britain had used its long established contacts with China to urge the Peking Government to open up a dialogue with the Russians, and Dr. Owen suggested the U.S. should use its new diplomatic ties with Peking to do the same.

Sinai oil demand by Israel

Israel must assure continuing oil supply from the Sinai wells before returning them to Egypt, Mr. Samuel Tamir, Israel's Justice Minister, said this weekend.

President Sadat has already indicated that he is willing to sell oil to Israel, provided that Israel does not demand a status different from that of other customers, L. Daniel writes from Tel Aviv.

Meanwhile, Mr. Menahem Begin, Israel's Premier, reiterated that, while Israel *favours autonomy for the West* Bank and Gaza Strip, it will not permit an independent Palestinian state.

UNIFIL casualties

Six members of the UN Interim Force in Lebanon (UNIFIL) were killed yesterday, four Norwegians in a helicopter crash and two Fijians in fighting with Palestinian guerrillas, Ihsan Hijazi writes from Beirut. The helicopter hit a power cable on its way to pick up casualties from the fighting

Israeli economic plan

The Israeli Cabinet yesterday began considering an economic programme prepared by the Treasury to reduce this year's inflation rate to 38 per cent, from 48.5 per cent in 1978, L. Daniel writes from Jerusalem.

U.S.-Egyptian contacts

Egypt and the U.S. are making "crucial contacts" on a Middle East peace treaty and on increased military co-operation according to the Cairo newspaper Al-Ahram, AP reports from Cairo.

Gulf security talks

Saudi Arabia and Iraq have begun talks in Riyadh on security in the Gulf region. *Both countries are worried* about instability in Iran, Ihsan Hijazi writes from Beirut.

Basques detained

Three more suspected Spanish Basque militants were detained in France at the weekend, David White writes from Paris. One was deported to Andorra, the others were sent to the Southern Alps region. A 2,500-strong demonstration took place in Bayonne on Saturday, in protest at the detention.

Romanian at Kremlin

Mr. Stefan Andrei, Romania's Foreign Minister, has held "useful" talks with Soviet leaders according to Pravda, the Soviet party newspaper, David Satter writes from Moscow. There was no indication that Romania or the Soviet Union had altered their positions on foreign policy differences.

Gunfire in Kampala

Heavy gunfire was heard in central Kampala yesterday, and electricity supplies and radio programmes were interrupted, according to Kampala residents, Reuter reports from Nairobi. The residents said on the telephone to Nairobi that they heard shotting and explosions

U.S. rubber workers set to break wage guidelines

BY JOHN WYLES IN NEW YORK

THE FIRST declaration of intent to break President Carter's *wage guidelines by a* union involved in major pay negotiations this year has been made by the United Rubber Workers (URW).

After a meeting at the end of last week of the union's policy-making committee in Atlanta, Georgia, Mr. Peter Bommarito, the president, warned that the union could not accept the 7 per cent pay limit in its negotiations starting soon with the big four tyre companies, Goodyear, Firestone, Goodrich and Uniroyal.

Although the Teamsters and the united Auto Workers, which also have three-year contracts up for renegotiation this year, have expressed no support for the guidelines, they have avoided declaring that their objective is to breach the policy.

However, the URW leadership *has less control of its rank-and-*file than many other U.S. unions and Mr. Bommarito received a clear message from his local officials that the 55,000 members in the tyre industry aimed to recoup some of the *20 per cent by which their* wages have allegedly been eroded by inflation over the past three years.

It is too early to forecast a strike, as the tyre industry's contract does not expire until April 24, but the URW has not been slow to call stoppages in the past. The major companies are only now starting to recover from the impact of a four-month strike over the 1976 contract. According to Mr. Harvey Heinbach, tyre industry analyst with Merrill Lynch, their ability to withstand a strike this year *is not as strong as it was in* 1976.

This could make it far more difficult for the Carter Administration to exert the same kind of pressure which resulted last month in a settlement for oil industry workers, which *emerged as a victory for the* guidelines.

Unlike the URW, the oil and gas workers' union had virtually no power to disrupt its industry through strikes. Mr. Bommarito, while stressing that he wished *to achieve peaceful settlements*, advised the Administration to adopt the approach officially called for by the U.S. trade union movement—statutory pay and price controls.

The URW will be seeking above 7 per cent increases on basic rates, as well as improved cost-of-living adjustment clauses, higher pensions, and up to two years' warning of plant closures.

Some observers believe the 1976 strike, which resulted in a 36 per cent increase in wages and benefits, may make it more difficult for the union to repeat *its militancy.* Mr. Bommarito then came under strong criticism from within the union for his leadership of that dispute, and the bargaining committees in each company are likely to greater autonomy this time. Thus, much depends on the *strength of the rank and file*, and their readiness to respond to proposals which will probably offer more job security in return for pay restraint.

Editor's killing threatens Ecevit

BY METIN MUNIR IN ISTANBUL

MR. ABDI IPEKCI, the newspaper editor gunned down by terrorists last Thursday, was buried here yesterday. The funeral coincides with concern that unless Mr. Bulent Ecevit, the Prime Minister, takes a tougher line with terrorists, independent members of the national assembly, on whom his majority depends, will withdraw *their support, thereby causing* the fall of the Government.

Mr. Ipekci was the most prominent Turk to have lost his life in political violence in the past decade. He was the country's most respected and best known journalist, editor of the Istanbul daily Milliyet (Nationality) for the past quarter of a century.

Mr. Ipekci upheld social democratic ideas and was a supporter of Mr. Ecevit. He was also an outspoken opponent of terrorism and made sharp attacks on extremists factions, particularly the right-wing. His death came as a severe shock from which, three days later, Turkey has not *recovered.*

Mr. Ipekci's murder has underlined Mr. Ecevit's failure to contain terrorism despite martial law in 13 of the country's 67 provinces.

Thousands turned out for his funeral despite the rain. Mr. Ecevit, Mr. Suleyman Demirel, the main opposition leader and many cabinet ministers were among the crowd who attended the funeral in the courtyard of a mosque near Mr. Ipekci's home. The street's between the old and new parts of Istanbul were lined with hundreds of troops and policemen to safeguard the cortege.

*No one has claimed responsi*bility for the assassination as is usual in Turkey in such events. Some 130 people have been detained by police in raids but no clues appear to have been uncovered as to the identity of the assassins.

Botha faces new attack today

BY QUENTIN PEEL IN JOHANNESBURG

THE SOUTH African Government today faces a motion of no confidence, with the role of two men who were once the most powerful in the country—Mr. John Vorster, the former Prime Minister and now figure-head state President, and General Hendrik van den Bergh, his former spymaster—at the heart of the debate.

Although there is no question of the Government being defeated, it could face further embarrassing revelations over the activities of the former Department of Information, which have already caused deep divisions within the ruling National Party and seriously hampered day-to-day administration. The opposition parties are determined to implicate Mr. Vorster, and if possible Mr. P. W. Botha, the Prime Minister, in the massive misuse of public money blamed on the former department.

The figure of General Hendrik van den Bergh, former Secretary for State Security, and chief of the Bureau of State Security (BOSS), will overshadow the debate which opens the new parliamentary session. At the weekend he deliberately taunted the Government by signing a petition calling for his own prosecution, for contempt of the Erasmus Commission of Inquiry investigating the former Information Department. He had described the commission as a "farce," engaged in character assassination.

General van den Bergh, who appears to be courting prosecution since the provincial Attorney-General in the Transvaal decided it would not be in the national interest, would implicate Mr. Vorster in the information scandal if his evidence is accepted. He told the Erasmus commission that he had kept the former prime minister continuously aware of the progress of secret information department projects, including the R27m ($31m) funding of a supposedly independent newspaper (The Citizen) to support government policies. But the commission refused to believe his evidence, and found Mr. Vorster "innocent."

So far, the government has accepted the Erasmus commission conclusion that General van den Bergh, Dr. Connie Mulder, the former Minister of Information, and Dr. Eschel Rhoodie, his former top civil servant, were the main movers of the secret propaganda projects which consumed a total of R64m.

With General van den Bergh apparently still intent on clearing his name and Dr. Mulder threatening to hold a Press conference to defend himself since he was forced to resign from Parliament, the Government still faces attack from within its own ranks.

Charter to cut losses on French railways

BY DAVID WHITE IN PARIS

A NEW CHARTER has been drawn up between French Government and the state controlled railway authority, the SNCF. The contract due to be put to the SNCF's Board of Directors later this month, gives the heavily loss-making railway company greater autonomy but at the same time calls for more rigorous management.

The plan is similar to the "company contract" already drawn up with the state airline Air France and with the nationalised coal industry.

It aims at bringing the SNCF's operations into better financial shape and reducing the cost to the Government of covering its losses. But while it involves a reduced level of state interference it makes firm stipulations, especially about maintaining local train services.

The state, which holds 51 per cent of SNCF shares alongside former private sector railway operators, currently compensates the company for keeping fares down and for granting special concessionary rates and makes a large contribution to its pension fund.

The "company contract" will not wipe out these subsidies which take up the lion's share of French subsidies to nationalised industry, but aims to halve the current annual loss of about FFr 4bn ($940m) by the end of 1982.

The 1979-82 plan lays down the broad outlines of SNCF policy. Its activity is to be increased and the quality of services improved. For instance, trains will be required to be more punctual, comfortable, timetables more convenient, and connections with other modes of transport easier.

The SNCF in return will be granted a large degree of freedom in fixing freight rates and main line passenger fares. Passenger fares will be expected to keep in line with the cost of living.

The company will also be free to adapt its freight and main line network to demand. On loss-making local services, however, its liberty to reduce the number of trains or close stations will not be allowed to affect more than 5 per cent of traffic.

Andreotti tries to find majority

By Paul Betts in Rome

SIG. GIULIO ANDREOTTI, the Italian Prime Minister who resigned last week, is to start preliminary talks with political party leaders in the next two days to atempt to form a new Government.

Sig. Andreotti was given the mandate to try to rebuild a parliamentary majority to support what would be his fifth administration by President Sandro Pertini this weekend.

However, Sig. Andreotti's *search for a compromise to* avert the threat of early elections appears particularly difficult at this stage because of the marked deterioration in the relations between his own ruling Christian Democrats and the Communists.

The Communists, who effectively brought down the Government last week, insist thta Communist Cabinet Ministers be included in any new Government. This has been flatly rejected by the Christian Democrats and some of the smaller parties.

Bhutto supporters arrested

BY CHRIS SHERWELL IN ISLAMABAD

HUNDREDS of supporters of Pakistan's deposed Prime Minister, Mr. Zulfikar Ali Bhutto, have been arrested in the nationwide police swoop launched last Friday night ahead of the supreme court's verdict on his fate.

The arrests, which continued throughout the weekend, are designed to head off trouble after the seven judges hand down their long awaited opinion on Mr. Bhutto's appeal against the death sentence. But many supporters have already gone underground.

Although a date for the judgment had still not been fixed by last night, the arrests and the fact that lawyers for the two sides are preparing to arrive in Rawalpindi are thought to be tell-tale signs that a verdict is imminent.

Pakistan's major cities and towns are all reported calm. Greatest concern focuses on Lahore, the main city of the populous Punjab, where Mr. Bhutto is thought to have strong support and where most arrests have been made.

In a separate development, Mr. Bhutto's cousin, Mr. Mumtaz Ali Bhutto, a former cabinet minister, has been released from custody on the orders of the high court of the southern province of Sind.

The court found no grounds for a military prosecution on a charge that he had absconded from custody in an incident last July. Dismissal of the case automatically brought into effect a recent high court order releasing Mr. Mumtaz Bhutto and another former minister, Mr. Hafeez Prizada.

Mr. Mumtaz Bhutto was also acquitted on Saturday on a charge which implicated him in a murder in 1973. He returned at the weekend to the Bhutto stronghold of Larkan in Sind.

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WORLD TRADE NEWS

ALGERIAN LNG EXPORTS

U.S. loss is Europe's gain

BY FRANCIS GHILÈS RECENTLY IN ALGIERS

THE IMPORT of 20bn cubic metres of liquefied natural gas (LNG) to the U.S. from Algeria was recently vetoed by the Department of Energy (DoE) in Washington. El Paso and Tenneco wanted to import 10bn cubic metres each of LNG over 20 years with deliveries due to begin in 1981 and 1982 respectively. The official deadline for final approval by the DoE had expired in December, 1977 and neither the U.S. companies nor the exporter, the Algerian national oil company, Sonatrach, were much surprised by the final outcome.

El Paso, which has so far spent $5m after tax, mainly on engineering studies, has appealed against the decision but the argument will be a long drawn out affair as U.S. energy policy is currently in a state of flux. Delays over plans to pipe Alaskan gas and the uncertainties over possible deliveries of Mexican supplies coming on top of the increasing use of natural gas in the U.S. could, however, force the DoE to reconsider its veto.

In any event Algeria's export earnings are unlikely to be hard hit by the U.S. veto since the 20bn cubic metres of gas originally earmarked for U.S. customers has already been committed to European buyers. In addition a number of more tentative contracts with European customers are now likely to be firmed up. This would seem to vindicate Sonatrach's LNG export policy of recent years when the company has sought to diversify its range of potential customers.

In rejecting the contract *Tenneco had drawn up with* Sonatrach, Mr. David Bardic, administrator of the Energy Regulatory Administration, was critical of the price escalation clause linking LNG prices to the future world oil prices. He criticised this formula for not offering safeguards to protect U.S. customers from sudden changes in the world price of oil.

This argument is odd for two reasons: Firstly because this is precisely the state of affairs pertaining to U.S. imports of crude oil. Secondly because such a clause has been included in at least one contract with a U.S. company, Panhandle, whose contract to buy 4.5bn cubic metres of LNG annually from Sonatrach was approved by the then Federal Power Commission in 1977.

Both Sonatrach and the U.S. companies with which it has signed contracts in recent years have fought hard to get such a clause approved and feel it is the most logical and fair indexation formula available.

This clause allows for the automatic escalation of the fob price of gas every six months and for the principle of averaging the price of imported gas and cheaper domestic supplies.

Prompted no doubt by the DoE veto Sonatrach has announced it will now seek to renegotiate the price being paid by El Paso for the gas which the U.S. company imports under a contract signed back in 1969 known as El Paso I.

One can understand Sonatrach's determination on not to give way over the escalation clause issue. The fob price El Paso is paying for the gas it imports in the framework of the El Paso I contract stands at 35 cents per btu, a price which has only been increased by 5 cents from an initial 30 cents. This compares with a basic price of $130 per btu in more recent contracts, which has risen today to around $160 under the indexation formula and will rise further this year as a result of the recent gas, oil and fuel price increases.

Sonatrach's request will not come as a surprise to El Paso. Mr. Ait Laoussine, the Algerian company's exective vice-president in charge of oil and gas exports, has repeatedly stressed that contracts are supposed to be beneficial to both parties. Clearly this is no longer the case.

Algeria's LNG export capacity currently stands at 20bn cubic metres annually: 12bn of this total comes from Arzew, a major oil and gas refining and liquefaction centre close to the Morrocan border, while the balance comes from Skikda, east of Algiers. This figure is expected to rise to about 33bn cubic metres next year and to 48bn in 1982-83.

NATURAL GAS EXPORT CONTRACTS

All contracts for LNG unless indicated

	Destination	Volume (1) Bn. cu. metres a year	Start up date	Term of Contract (years)
OPERATIONAL				
British Methane	UK	1.00	1964	15
Gaz de France	France			
Le Havre		0.50	1965	25
Fos		3.50	1972	25
Distrigas	US	1.20	1972/76	20
Enagas	Spain	4.50	1977	23
El Paso I	US	10.00	1978	25
TOTAL		20.70		
GOVERNMENT APPROVED				
Distrigaz	Belgium	3.50	1980	20
Gaz de France				
Montoir	France	5.40	1980	20
Panhandle	US	4.50	1980	20
Ruhrgas/Saltzitter	W. Germany	4.00	1984	20
Gasunie	Netherlands	4.00	1984	20
Trunkline	US	4.50	—	20
ENI (pipeline)	Italy	12.00	1982	20
TOTAL		37.90		

Firm contracts for LNG sales abroad amount to about 47bn cubic metres today with a further 11bn on the probable list. In addition 12.4bn will be exported to ENI via the trans-Mediterranean pipeline currently being built across northern Tunisia and the Straits of Sicily to the Italian mainland. Tunisia and Austria are expected to buy a further 2bn cubic metres each, a figure which could be increased were Tunisia to put off the projected development of its offshore gas field at Miskar.

Possible contracts with various West European customers and Tunisia amount to between 34.50/39bn cubic metres of gas exports.

All these add up to a grand total of firm and probable gas sales of 75bn cubic metres annually, a figure which suggests to observers in the LNG field that the U.S. veto will not unduly harm Algeria's exports, earnings.

Natural gas production in the country rose by 70 per cent last year to 14.1bn cubic metres while exports of LNG moved up by 60 per cent to 6.4bn. Production of butane and propane reached 900,000 tons last year, one-third of which was exported. Crude oil and condensate production increased by 7 per cent to 57.2m tons and is expected to top the 58m tons mark this year. Revenue of the hydrocarbons sector increased by $400m to $6.2bn. Meanwhile all the current year's production of oil has been sold.

Exploration for oil continues but apparently on a new basis. Until recently contracts between Sonatrach and foreign companies have followed the 51-49 joint venture pattern. A new agreement currently being negotiated with the U.S. subsidiary of Shell could well result in an agreement whereby Shell wil finance the exploration work in return for a percentage of the oil production in the event of commercial discovery. This percentage would be flexible, the aim being to provide an appropriate return on investment.

If and when a commercial discovery is made, development of the field would become the responsibility of Sonatrach.

SHIPPING REPORT

Gulf tanker rates decline

By Lynton McLain

MORE oil tankers arrived in the Gulf last week with little prospect of finding cargoes ready for shipping.

The disruption of supplies from Iran was the main factor and rates for very large and ultra large crude carriers fell as a result. But the decline in the market for large tankers proved to be of immediate benefit for the owners of smaller tanker tonnage.

Many smaller vessels were able to take advantage of the great increase in demand for tonnage operating out of areas where extra supplies of oil have been available. Smaller vessels continued to gain a substantial rate differential compared with larger tonnage.

E. A. Gibson Shipbrokers said that it was now obvious that the industry would move into a period where two-tier rate structures would operate.

There were 10 vessels in the Gulf without cargoes last week and more were on their way. Rates for VLCCs for voyages to the west fell to Worldscale 24 and ULCCs accepted rates of below Worldscale 20 to get work.

A 58,000-ton vessel on a voyage to the east was commissioned at Worldscale 120.

There was less business out of Indonesia last week, but continued heavy demand for tonnage out of West Africa and the Mediterranean. Rates remained firm with no exceptional rises in the rates offered. The Caribbean market was also active.

Haferkamp optimistic on C[illegible]

ESSEN—China will become one of the European Common Market's most important trade partners in the next 20 years, EEC Commission vice-president Wilhelm Haferkamp said here.

China's economic development plans up to the year 2000 offered European industry spectacular possibilities compared against the past, Mr. Haferkamp told industrialists.

Trade had made great strides since the conclusion of a trade accord between China and the Common Market last year, he said. The EEC had increased its exports to China by 88 per cent to DM 2.5bn ($1.3bn) in the first nine months of 1978, though imports had risen by only 8 per cent to DM 1.7bn ($900m), Mr. Haferkamp said.

China, however, was still a small trading partner for the EEC, buying about as much as Kuwait and less than Israel.

Reuter

● Japan has been swamped with Chinese delegations in the past three months, so many that officials here say they have lost count.

The stream of Chinese visitors follows ratification of a peace and friendship agreement last October.

Officials of the Japanese Foreign Ministry and the Chinese Embassy said they have been unable to keep records on the flow of visitors from China because many came without formal Japanese sponsorship.

"The Chinese urgently need high technology which advanced countries like Japan have. They want to introduce this kind of technology to China," an official said.

Agencies

U.S. reprieve for Rolls-Royce

BY KENNETH GOODING, INDUSTRY CORRESPONDENT

THE PROSPECT of Rolls-Royce Motors gaining permanent exemption from the stringent Corporate Average Fuel Economy (CAFE) regulations in the U.S., which takes about one-third of its annual output, are a little brighter.

The group has just been granted another reprieve by the Department of Transport, this time covering the 1978 (78) requirements.

These fixed an average of 18 miles per U.S. gallon for manufacturers to achieve across their range of models. Rolls, with an average of 10.7 mpg, has been granted exemption for *a second year on the grounds* that it produces fewer than 10,000 cars a year, the level at which U.S. makers are excluded from the requirements. (This exclusion was incorporated to help the Checker Motor Company which builds a taxi in the U.S.)

The current financial implications for Rolls are not that great. It would have had to pay "fines" of about $300 on each of the 1,000 or so cars sold in the States—its most important overseas market—last year.

More important is the fact that Rolls continues to receive a sympathetic hearing in the U.S. This will become increasingly important because car companies will have to meet a fleet average of 28 mpg (33 miles per Imperial gallon) by 1985.

Like all other manufacturers Rolls is working hard to improve fuel consumption by the *cars it produces but there is a* limit to the steps it can take while maintaining the standards customers expect of its models.

The Silver Shadow, for example, already has an alloy boot, bonnet and engine, so further de-weighting will not be easy. *And the Silver Shadow's* replacement, to be launched in the not-too-distant future, was conceived at a time when fuel economy was not a major criterion and will in its early days be about the same two-ton weight. It will be progressively lightened as time goes by.

While Rolls can argue that it is taking a socially responsible attitude, is doing its utmost to improve fuel economy and is therefore entitled to sympathetic consideration from the CAFE regulations, it does not expect to gain any exemption from the separate "Gas Guzzler" legislation which takes effect over the period 1980 to 1985.

This legislation will impose a tax on those individual cars which do not meet certain fuel economy levels and as it stands could cost Rolls around $2,000 for each car sold if the group makes no improvements. It expects to be able to make changes to save perhaps 40 per cent of that "fine."

Guyana-Brazil alumina deal

By *Muhamad Hamaludin in* Georgetown

GUYANA HAS secured a four-year contract to supply a new Brazilian aluminium smelter with alumina from 1981, with supplies to reach 88,000 tonnes annually by 1982.

An announcement to this effect followed a three-day meeting here of a Guyana-Brazil joint commission which will among other things look at the possibility of Brazil taking Guyanese alumina in exchange for Brazilian goods and services.

It followed on the heels of another announcement from the state-owned industry that its Japanese distributors, Nissho-Iwai, has contracted to take 50,000 tonnes of calcined and chemical grades bauxite.

But there was also some bad news for the industry — a powerful miners union deciding to call an industry-wide strike to back demands for reinstatement of two dismissed workers.

Citroen to buy UK parts

BY OUR MOTOR INDUSTRY CORRESPONDENT

Automobiles Citroen, the French vehicles group, estimates it will spend more than £5m on automotive components and materials from the UK in 1979 compared with less than £1m in 1976. "This demonstrates the attraction of the UK components industry to Western Europe," stated the group.

Among the major suppliers involved in the 1979 programme are Guest Keen and Nettlefolds, Tube Investments and Associated Engineering.

World Economic Indicators

UNEMPLOYMENT

		Jan. '79	Dec. '78	Nov. '78	Jan. '78
U.K.	000's	1,339.2	1,320.7	1,338.9	1,428.1
	%	5.6	5.5	5.6	6.0
Holland	0'000	211.5	209.1	209.2	198.7
	%	5.3	5.3	5.3	5.0
W. Germany	000's	1,171.4	1,006.7	927.0	1,213.5
	%	5.1	4.4	4.1	5.4
		Dec. '78	Nov. '78	Oct. '78	Dec. '77
U.S.	000's	5,883.0	5,900.0	6,000.0	6,800.0
	%	5.7	5.8	6.0	6.9
France	000's	1,328.3	1,330.0	1,344.1	1,059.4
	%	5.8	5.7	5.7	5.1
		Nov. '78	Oct. '78	Sept. '78	Nov. '77
Japan	000's	1,160.0	1,177.0	1,250.0	1,030.0
	%	2.1	2.3	2.4	2.0
Belgium	000's	297.1	279.9	268.6	296.7
	%	7.5	7.0	6.7	7.4
		Oct. '78	July '78	April '78	Oct. '77
Italy	000's	1,651.0	1,658.0	1,450.0	1,598.0
	%	7.5	7.5	7.2	8.0

Cement plant for Egypt

BRUSSELS—A consortium of West German, Swiss and Belgian companies will furnish supplies for and assemble a cement plant in Egypt under a contract with the Egyptian company Helwan Portland Cement, Societe Generale de Banque said.

In a statement on contract shares, it said the Belgian company Ateliers Louis Carton will get BFr 700m, 85 per cent financed by a buyer credit provided by Societe Generale to Helwan.

The Brown Boveri company of Switzerland will receive SwFr 30m, Polysius of West Germany DM 40m and Haver und Boecker also of Germany, DM 2.8m, for their part in the contract.

Societe Generale added that together with a consortium of banks it will provide a SwFr 6m credit for the same project.

Reuter

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Rises of 15% 'will put strain on companies'

BY DAVID FREUD

EARNINGS INCREASES of 15 per cent or more will put extreme pressure on the company sector, according to the latest monthly analysis from the London Business School Centre for Economic Forecasting.

They would bring into sharp focus the choice between financing wage increases and letting the exchange rate fall with resulting higher inflation rates, or holding monetary targets, and accepting the short-term consequences for output and unemployment.

The centre says that inflation would probably have increased by now had it not been for the tight monetary policy, and the resulting stability of the exchange rate. An earnings increase of 12 per cent would be consistent with the current financial background.

Panmure Gordon, the City stockbrokers says that the present industrial unrest implies a higher level of wage rates in both public and private sectors than forecast, but does not necessarily mean that overall earnings will rise by the 15 per cent or so set by the most publicised settlements.

"Given Government pressure, the restraint induced by public opinion, and lower demand consequent on the tighter money environment—which will also reduce overtime and bonus earnings—it is likely that the total impact on earnings will be no more than 12-14 per cent."

The impact on prices will be tempered by the effect of North Sea oil on the balance of payments, by monetary restraint, and by the lack of pressure on material costs.

This implies inflation for 1979 of 11-13 per cent, assuming some increase in the velocity of money circulation, significantly lower economic growth, and continued Government resolve on monetary control.

De Zoete and Bevan, City stockbrokers, says a more restrictive policy stance is now required, not only to offset the effects of rising inflationary expectations and to ensure that current monetary targets are met, but also to protect sterling from the combination of a more rapid deterioration in the balance of payments and the consequences of a recovery in the U.S. dollar.

"Without such changes in policy, the authorities' current objective of keeping the exchange rate stable will prove virtually impossible to maintain."

The firm's forecasts show that on unchanged policies, the money supply will soon significantly exceed its target, the current account will head for a deficit of £700m during the first half of the year, and there will be a public sector borrowing requirement of £10.5-£11bn in the 1979/80 fiscal year.

Wage policies 'will not help poor working families'

BY DAVID FREUD

THE connection between low pay and poverty is relatively weak, according to an article in the National Westminster Bank Quarterly Review.

Based on data from the 1975 General Household Survey, the article states that the lowest paid are mostly women, yet the poorest working families are mostly those with only the husband at work and with lots of children at home.

Of workers in the lowest 10 per cent. of wages only one in five was in the lowest 10 per cent of family incomes.

The authors, Mr. R. Layard, Mr. D. Piachaud, and Mr. M. Stewart, all attached to the London School of Economics Centre for Labour Economics, conclude that wage policies cannot therefore provide any comprehensive remedy to poverty among the employed.

In each of the years of incomes policies, 1972-74 and 1975-77, the formula was strongly equalising, yet there were no appreciable reductions in inequality.

While there was no one cause of poverty, most of the poorest families had little or no earnings and social security determined the level at which they lived.

"It may be reasonable that benefits for those without earnings should be set below incomes in work, but this does not mean that real benefits should not be raised to whatever level society chose.

"Such benefits should also be automatic for both the working and non-working poor to remove the stigma of claiming."

An article on pay policy and labour supply by Mr. John Fallick, of the University of Manchester, points out that almost every type of State intervention in pay determination since 1961 had distorted the pattern of differentials.

Government pay policy had been preoccupied with inflation and had neglected the impact that pay differentials and relativities might have had on labour supply.

Salary differentials were of major importance as aids to recruitment, ensuring that people of adequate calibre were attracted to organisations and as a means of providing incentives to existing management.

There should be a realistic debate on alternative forms of pay policy and State intervention in the hope that the long-term implications were realised before salary structures suffered serious permanent damage, he concludes.

Non-retail shops spread criticised

By Our Consumer Affairs Correspondent

THE NATIONAL Chamber of Trade has criticised the growing penetration of non-retail shops such as banks, job centres, and betting shops, into the high street.

Mr. Leslie Seeney, the chamber's director-general, has written to the Government pointing out retailers' concern in the "deluge" of non-retail shops now being opened.

He said: "There can be no doubt that the proportion of service units in shopping centres is increasing at such a rate as to justify that concern."

Mr. Seeney has asked Mr. Peter Shore, Environment Secretary, to tell local authorities of the harmful effects on trade in shopping centres if too many non-retail shops open.

He also suggests that planning permission given to non-retail businesses should automatically end when the premises are vacated. Some retailers now always oppose planning applications to change the use of an existing shop into a non-retail business because of fears that it may be difficult to reverse the process at a later date.

The Environment Department has agreed to keep the problem in mind when it re-issues guidance notes to local authorities on shopping centres.

IMF head will warn on inflation threat to growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING that a resurgence of inflationary pressures could endanger prospects of sustained world economic growth is expected to be made in London this evening by M. Jacques de Larosiere, the Frech managing director of the International Monetary Fund.

In his first major speech in the UK since taking up his post last summer, M. de Larosiere will review the current state of the world economy, in particular the relationship between reflationary policies, inflation and growth.

Last September, at the IMF annual meeting, he said that the imbalances in the world economy were on the way to being cured.

M. de Larosiere and Mr. Gordon Richardson, the Governor of the Bank of England, are the main speakers at the banquet of the Overseas Bankers Club.

Mr. Richardson is expected to discuss international bank lending and its relationship to the process of current account adjustment and exchange rate stability.

During his visit to London, M. de Larosiere will meet Mr. Denis Healey, the Chancellor of the Exchequer. There is no formal agenda but it is likely that the two will prepare the ground for the meeting next month in Washington of the IMF's interim committee of finance Ministers, of which Mr. Healey is chairman.

Unlike recent years, there are no immediately pressing issues to be decided by the IMF following the increase in its financial resources agreed last year. But there is likely to be discussion of the state of the dollar, in particular the growing use of other currencies as reserve assets. This leads on to the related, though currently shelved, proposals for an IMF substitution account for holders of dollars. There will also be the usual review of the world economy.

CROWN AGENTS TRIBUNAL

Link with convicted financier

BY TERRY OGG

THE ESSENCE of the relationship between Mr. Sidney Finley, financier, and Mr. Bernard Wheatley, former Crown Agents money-market manager was disclosed during cross-examination of Mr. Finley before the Crown Agents tribunal last week.

Mr. Finley was convicted last year of two offences of corruption involving loans totalling £182,725 made to Mr. Wheatley, in 1974. Mr. Wheatley died in July, 1977.

Mr. Peter Scott, appearing on behalf of the tribunal, asked Mr. Finley if, during 1974 "the two men became prisoners of one another." "No," replied Mr. Finley.

Mr. Scott said that Mr. Wheatley could not stop lending to Big City, Mr. Finley's finance group, because "if he did the whole pack of cards would come down. And you could not stop lending to him because that was the price of getting the money from Crown Agents?" asked Mr. Scott. "It was never considered in that context," Mr. Finley replied.

The relationship between Mr. Wheatley and Mr. Finlay was first drawn to the tribunal's attention by Mr. Robert Gatehouse, QC, counsel for the tribunal in September last year.

Mr. Gatehouse said that a £750,000 loan by Crown Agents to Big City was never sufficiently covered by security and a large part of it found its way into the pockets of directors.

Mr. Scott asked Mr. Finley if, when Big City borrowed the £750,000 in 1974, its most up-to-date financial information covered its activities up to the end of December, 1971, and showed a total loss carried forward of £600,000. Mr. Finlay replied: "That is correct."

"It had borrowed money at seven days' notice," Mr. Scott said. "There was no prospect whatever of Big City being able to repay it on seven day's notice, was there?"

"At the time, no, Sir," Mr. Finlay said.

"Or at any time?" asked Mr. Scott. "That is correct, sir," Mr. Finley said.

The tribunal is inquiring into whether there was any breach of duty by officials of certain Government departments, the Bank of England or the Crown Agents in connection with the agent's loss of about £200m in its 1967-74 excursion into secondary banking and property. The hearing will continue this week.

Private landlords seek independent review today

BY MICHAEL CASSELL

AN INDEPENDENT body to ensure that the Government review of the Rent Acts treats private landlords fairly, has been called for by the Small Landlords' Association.

The association which last year appealed to the European Commission of Human Rights for fair treatment for private landlords, has written to the Prime Minister saying it has no faith in the ability of the review to remain impartial. It has told Mr. Callaghan that he should appoint an independent review body to receive outside representations on the report, which the Department of the Environment is preparing.

"We have no confidence that the private landlord will get any justice from the present internal inquiry, particularly in view of the prejudiced attitude of the Minister for Housing and Construction, Mr. Reg Freeson," it says.

The association, which emphasises that the consultation paper being prepared excludes consideration "of the key issue" — indefinite security of tenure — says that many private landlords have told the Government of the "misery, exploitation and harassment they are suffering under the Rent Act."

Shipping losses hit record 40%

By John Moore

WORLD MERCHANT shipping losses rose more than 40 per cent last year to a peace-time record of 1.15m gross tons worth £243m, according to Lloyd's of London.

This compares with the 1977 level of 808,369 gross tons worth £171.5m.

Leading the list of vessels with high accident rates last year was the Greek flag—43 vessels, most of them 15 years old or over. Next came Panama with 15 vessels, the U.S. with 11 and Cyprus with eight. They were followed by Japan, Liberia and Norway with seven vessels each.

The loss of the German barge carrier Munchen in December is likely to top the list of insurance claims.

Statistics will show trend in price rises

THE PROSPECT of a gradual rise in the rate of price inflation during the first half of this year is expected to be underlined today by new official figures.

The wholesale price indices for last month, due to be published this afternoon, are likely to show the extent of cost and price increases in the pipeline; indeed the figures may slightly exaggerate such pressures because of special factors.

Manufacturing industry's raw material costs were boosted significantly last month by the first stage of the rise in oil prices, so that City analysts are projecting increases in this index of between ½ and 1 per cent in January.

On the output side, the outcome will be affected by the usual seasonal bunching of price rises at the beginning of the year, so a rise in factory gate prices of between 1 and 1½ per cent is widely expected by stockbrokers' economists.

Otherwise, the main City attention will be on two key financial indicators—the banking figures for mid-January due tomorrow) and the central Government borrowing requirement for January (due on Friday).

Eligible liabilities, a big component of the money supply, will have been affected by seasonal influences such as the six-monthly crediting of interest and heavy payments of corporation tax. The widespread industrial disputes may have come too late to influence the mid-January statistics. A rise of between ¾ and 1½ per cent in eligible liabilities is projected in several brokers circulars.

The seasonal bunching of tax payments is likely to be reflected in a large surplus on central Government transactions last month, possibly of more than £1bn.

ECONOMISTS GIVE VIEWS ON PUBLIC SPENDING

Government thinking criticised

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE ECONOMIC assumptions behind the Government's public spending plans are criticised as being unrealistic and wrong by several leading City and academic economists in memoranda submited to an all-party committee of MPs.

The 13 papers — totalling 107 pages — were published last week by the general sub-committee of the expenditure committee, which is holding its annual inquiry into the public spending White Paper.

A report is likely before the end of the month after a low-key session on Wednesday at which Treasury officials were questioned.

The memoranda are generally critical of the Government's thinking and, depending on the viewpoint of the economists, argue that the proposed level of public spending will boost either inflation or unemployment.

Mr. Terry Ward, the sub-committee's specialist adviser from the Department of Applied Economics at Cambridge, draws attention to "substantial improvements in the content of the White Paper—leaving aside the assessment of economic prospects—which have been introduced since last year and which make it much easier to identify what changes are and why they have occurred."

Apart from Mr. Ward's, memoranda have been submitted by two groups, economists and the building industry. In the first group are Dr. Alan Budd and Mr. Terry Burns of the London Business School; Mr. R. W. R. Price of the National Institute of Economic and Social Research; Mr. Robert Bacon and Mr. Walter Eltis of Oxford University; Professor Patrick Minford of Liverpool University; the Fabian Society; Mr. Tim Congdon of stockbrokers L. Messel; Mr. Gordon Pepper and Mr. Robert Thomas of stockbrokers W. Greenwell; and Dr. P. M. Jackson, director of the Public Sector Economics Research Centre at Leicester University.

In the second group are the British Road Federation, the National Council of Building Materials Producers, the National Federation of Building Trades Employers and the Federation of Associations of Specialists and Sub-Contractors.

The main criticism of City and other monetarist economists is that the earnings assumptions in the White Paper are unrealistically low and that the relative price effect—the balance between public sector costs and those in the economy as a whole—may be less favourable than suggested by the Government.

Mr. Congdon, for example, notes that the uncertainties caused by the present conflict over public sector pay make the estimates in the White Paper rather hypothetical.

Growth rate

The London Business School economists conclude that the plans, together with the official assumption on tax policy, imply a monetary growth rate of about 12-14 per cent a year, while earnings increases are likely to be higher than the 11 per cent rise assumed in the Government's pessimistic case.

Dr. Budd and Mr. Burns argue that, if inflation is to be held in single figures, cuts in public expenditure or increases in taxation will be necessary.

From the City, Mr. Pepper and Mr. Thomas of W. Greenwell warn against the crude belief in some quarters that the way to keep unemployment in check is to boost public expenditure. In present circumstances, this would be entirely wrong.

"To rely on controlling the money supply as the sole weapon in the battle against inflation would provoke widespread redundancies and major bankruptcies; now that incomes policy has collapsed it is essential to supplement monetary restraint with tighter budgetary policy.

"Given the excessive burden of taxation which is inhibiting personal initiative and industrial growth, budgetary policy cannot be tightened except by cutting public expenditure."

Scaling down

A similar theme is developed by Mr. Bacon and Mr. Eltis. They also argue that the White Paper under-estimates the likely level of debt interest payments and of nationalised industry borrowing. They warn that unless the Government attempts some scaling down of programmes, some of the catastrophic errors of 1974-75 will be repeated.

Professor Minford argue that there is a sure, immediate, and long-run benefit of a lower level of public sector borrowing in the form of lower inflation, while there is an uncertain short-run effect on unemployment which could go either way, together with no long-run effect.

A wholly different criticism of the White Paper is put forward by several of the other economists. Mr. Ward, for example, says that a defect is that on indication is given of what the Government believes to be the desirable rate of output growth, let alone of the policy necessary to achieve that growth and of the increase in public spending compatible with bringing it about.

"Indeed, the impression is conveyed that the rate of economic expansion is largely outside the Government's control and that budgetary policy, of which public expenditure is part, has been accorded the role of ensuring, so far as possible, the achievement of the overriding objectives of further reducing inflation and repaying foreign debt."

Mr. Ward criticises the Government's refusal to discuss the impact of a faster rate of earnings growth than under official guidelines.

"This makes it virtually impossible to enter into a satisfactory dialogue about economic prospects and the policies being pursued. It is also likely to be associated with the formulation of two sets of economic assessments, one for public consumption and one which corresponds to reality."

Mr. Price, of the National Institute, argues that the budget stance has become more restrictive in the past two years than at any time since the two years after the 1967 devaluation. He criticises the White Paper for not spelling out the drastic nature of the possible rise in unemployment — of 3 per cent to 4 per cent up to a level of about 9 per cent, or around 2m, in the four years to 1982 on the basis of the more pessimistic of the three official projections. Even the more optimistic assumption offers the prospect of little or no improvement in the employment position.

"It remains a source of some concern that the reaction to the 1974-76 crisis of control might have gone too far. On balance, the risk in this White Paper is towards more rather than less unemployment, and public expenditure cannot be said to be fulfilling its potential as an instrument for the orderly return to full employment." Mr. Price also criticises the failure to plan public sector pay in relation to private settlements.

The same theme is developed even more strongly in the evidence from the Fabian Society. This points out that, if public expenditure on goods and services had remained at its 1975-76 share of total expenditure, spending in 1978-79 would have been £7.8bn higher than is now likely. It is suggested that unemployment might be 600,000 higher now because of the cuts since 1976.

The Fabians say that a sustained expansion of the public sector is required if unemployment is to be reduced to acceptable levels in the next few years, but the White Paper's policy is the opposite of what is required.

"A firm commitment to an annual rate of growth of real Gross Domestic Product of 4½ per cent is essential if any substantial reduction in the level of unemployment is to be brought about. This should not entail a sustained public sector borrowing requirement as a perecentage of Gross Domestic Product."

The Fabians attack the Government's committment to what they describe as an "artificially high exchange rate through restrictive monetary policies" which would involve "quite unwarranted sacrifices for the economy. It would push up unemployment by about 1 per cent a year, reduce investment and trap the economy in a deepening recession which would have 'Made in Whitehal' clearly marked on it."

UK NEWS

Sales drop expected for textile retailers

BY RHYS DAVID, TEXTILES CORRESPONDENT

GFBRITAIN'S RETAILERS of textiles and clothing, who experienced buoyant conditions for much of last year, are now expecting a slackening in sales growth during the next four months, the latest CBI-NEDO textile trends survey reports.

The survey, a three-monthly assessment of confidence at all levels of the textiles pipeline from raw material processors through to the shops, shows that retailers in January achieved higher sales than in October but no wexpect on balance to be reducing their forward ordering.

The worst performance at retail level is menswear, particularly outer wear, but the survey points out that changes in the trade make it difficult to interpret the significance of this. Women's and girls' outer wear by contrast report a marked improvement in performance over the past four months and this is expected to continue.

In contrast to the retail sector, textile and clothing manufacturers remain optimistic with 14 sectors reporting more confidence about their business compared with four months ago as against seven sectors reporting a decline. Some sectors—notably worsted weaving and spinning—appear, however, to

Companies generally are also more cautious about export prospects over the next 12 months compared with October, with a marked increase in pessimism in men's shirts and underwear, socks, cotton, and *man-made fibre spinning and* weaving.

Although about half the sectors report that employment is still falling, there appears to have been some improvement compared with October and a further upturn is expected over the next four months. On balance, the survey notes prospects are expected to be better in end-product sectors than at the earlier processing stages.

It also points out that while orders and sales are still the most important factor limiting output, there has been a marked increase in the importance of skilled labour shortages as a sectors.

Trends in Textiles and Clothing: CBI. 21, Tothill Street, London SW1H 9LP.

Bid to coax out 'rebels' from beneath bowlers

BUSINESSMEN are being urged to leave their pin-stripe suits and formal shirts and ties at home for just one day next month, and go to work in jeans and sweaters.

A clothes manufacturer wants them to do this to prove that everyone works better in casual clothes.

Mr. Raj Shah, who wears slacks and a sweater for business meetings, said March 21—the first day of spring—should be a day of informality at the office, even at the risk of offending the boss.

"British business life is much too formal," he said. He planned advertisements in the Financial Times to bring out the rebel underneath every bowler hat.

"I am aware that only a small percentage of the business world will join in the first experiment but I shall invite them to send me their reactions. This could eventually make the bowler an endangered species."

Mr. Shah is head of London Casualwear Manufacturers' Second Image.

Daihatsu plans for 8,000 car sales will cause concern

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AN AMBITIOUS plan to launch Daihatsu cars in the UK later this year is bound to cause concern among rival importers of Japanese cars and attract the interest of the Department of Trade.

Tozer Kemsley and Millbourn, the London-based international trading and finance group, will distribute the Daihatsu cars and Mr. Jonathan Sieff, chairman of its automotive division, said: "We hope to sell 7,000 to 8,000 in the first year."

There is some confusion surrounding the state of Anglo-Japanese agreements about cars. At the end of last year the Japanese manufacturers said they would take a "prudent" approach to the UK market.

This is understood to mean that shipments will be restricted to some extent.

But this year Suzuki as well as Daihatsu will be entering the car market for the first time. The Heron Motor group will be selling "a limited number" of four-wheel-drive "leisure" vehicles and light vans from Suzuki.

Mr. Sieff commented: "The Japanese manufacturers are responsible people and will no doubt hold back from taking the share of the UK market they could achieve. But within the overall level there will be competition."

Daihatsu is near the bottom of the Japanese car-producing groups in volume terms with a 1977 output of 82,601. However, it also produced 236,000 commercial vehicles that year.

TKM will initially concentrate on selling the 1,000 cc Chirade undergoing UK Type Approval saloon. The car is currently tests and should be launched in October.

Next year TKM will lose its lucrative franchise in the UK for the West German BMW cars and motor-cycles and the Daihatsu launch is part of its plan to compensate for this loss.

TKM also has a major shareholding in the company which distributes Mazda cars, made by Toyo Kogyo, Japan's third largest car maker, and which was the only concern to hold sales to the 1977 level last year.

In 1979, however, Mazda launches the Montrose range which will challenge Ford's Cortina and Vauxhall's Cavalier in the medium-sized, 1600 cc and 2000 cc sector of the market.

The importers believe the Montrose range, to go on sale in the UK next month, will eventually account for half Mazda's British sales.

British Airways orders

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS has ordered another two Lockheed Tristar airliners, worth more than £50m including spares. They will use Rolls-Royce RB-211 Dash 524B engines, and that company's share of the deal will be about £15m.

The latest order brings to 17 the number of TriStars firmly on order for British Airways (of which nine have been delivered), with another six on option, giving the airline an eventual fleet of 23.

The two latest aircraft are Tristar-200s, for delivery in March next year. They will be used initially on routes to and from the Gulf.

Later, they may be deployed on the shorter European routes, where the engines will be run at lower power because of the lower operating weight of the aircraft on shorter sectors. This will prolong engine life and save on maintenance costs.

Farmers reject milk tax plan

DEVON FARMERS have called upon the Minister of Agriculture to veto the Common Market's proposed 10 per cent tax on milk which, they say, would slash dairy farm profits by up to 70 per cent.

The county National Farmers' Union executive committee, has recommended to the Milk Marketing Board that it should not collect the levy if it is imposed.

Study plan for council stakes in companies

BY PAUL TAYLOR

THE LABOUR PARTY national executive committee and the Department of Industry are to be asked to study proposals which would give local authorities specific powers to provide risk capital and take stakes in small private companies.

The controversial proposals for enhancing the economic planning role of local councils were made yesterday in a working group paper on municipal enterprise presented to the Labour Party Local Government Conference in Newcastle.

The paper was prepared by Mr. Richard Minns and Jennie Thornley, researchers at the Independent Centre for Environmental Studies.

Following discussion of the proposals Mr. Leslie Huckfield, Parliamentary Secretary at the Department of Industry, said he would "without commitment" take the proposals to the Labour Party NEC and to his department for study.

Mr. Minns told Labour Party councillors that his proposals would provide an important source of development capital, venture capital and working capital for assisting small firms and stimulating the development of local industry.

The exanding economic planning role of the local authorities could complement the role at national and regional level of the National Enterprise Board and other bodies in Britain's industrial strategy.

He said enabling local authorities to provide risk capital and take minority or majority stakes in small private companies could assist in making some small companies viable. He suggested that between £200m and £250m could be made available by a levy on the rates for assisting small local companies in this way.

Mr. Minns said existing local authority powers in specific areas to make grants and loans to industry, or to provide sites and services for industry, were unsatisfactory. He suggested that local authorities, in taking a stake in a small company, could provide a useful "pump priming operation."

While a few local authorities had found provisions in existing legislation enabling them to take equity stakes in companies, Mr. Minns called on the Government to provide local authorities with specific powers through new legislation.

Local authorities could then set up Municipal Enterprise Boards — like mini-national enterprise boards — to oversee local council investments, while he suggested the Government should set up machinery to co-ordinate industrial policy at central and local level.

Steel foundry industry protest at sharp price rise for scrap

BY OUR SHEFFIELD CORRESPONDENT

A SHARP rise in the market price of ferrous scrap has brought protests from the steel foundry industry. The scrap price rises—up to £10 per tonne in certain grades—could mean price increases across a wide range of industrial products, a spokesman warned.

The increases, which became apparent at the week-end, come after rises of up to £5 per tonne a month ago. The British Steel Corporation is the dominant market power in the scrap trade, and merchants say the new prices almost certainly reflect a Corporation decision to pay more for its scrap.

A spokesman for the Steel Castings Research and Trade Association in Sheffield said steel foundries were alarmed at the new increases. They could not avoid paying them, yet they did not add at all to the industry's productivity.

"It is a straight cost increase in foundries which we cannot absorb and which will have to be passed on to the customer," he said.

Mr. Roy Boast, executive vice-president of the British Scrap Federation, confirmed that he was now getting reports of price increases in scrap which "surprised him."

He thought the increases reflected the catching up of UK prices with those in other markets particularly the U.S. and Germany. There was also brisk demand for scrap in Europe.

The new rates would not mean profit windfalls for merchants, he emphasised. Because of the lorry drivers' strike, and widespread picketing, both collection and deliveries from scrap yards had been affected.

Merchants would soon have to replenish present stocks and pay higher rates to scrap producers in industry. Such producers, including the Government, would be the main beneficiaries of the sharp price increases.

Highlands 'need more research resources'

A CALL for more of Scotland's advanced teaching and research resources to be located in the Highlands and Islands was made last night by Sir Kenneth Alexander, chairman of the Highlands and Islands Development Board.

This would make an important contribution to the area's economic and social development, he said.

In the Bowie Memorial Lecture at Dundee University Sir Kenneth referred to the Board's recent initiative in encouraging community co-operatives, an approach now being tested in the Western Isles.

Four co-operatives were established last year: at Ness (population 2,300) and Park (500), in Lewis, Eriskay (185) and in Vatersay (110).

Local communities were exploring possibilities in four other areas of the Western Isles and several groups were examining proposals for community development in other parts of the Highlands and Islands.

Sir Kenneth said that only one co-operative had so far advanced to the point at which it had been practicable to appoint a full-time manager. It was too early to assess the real importance of the initiative, but the response had been extremely encouraging.

The education sector could make a real contribution to development, he said.

Land dispute referred to Government

FINANCIAL TIMES REPORTER

THE GOVERNMENT has been asked to adjudicate in a dispute between the Northumbrian Water Authority and the Forestry Commission over land ownership around the Kielder Dam—Europe's biggest reservoir project.

The water authority, which is due to complete a £115m scheme by 1981 is anxious to acquire a further 2,700 acres around the perimeter of the reservoir mainly to provide recreational facilities.

It claims, however, to have come up against a resolute refusal from the Forestry Commission which maintains the Kielder forest where the dam lies, and as it is Crown land the water authority is unable to use compulsory purchase.

The dispute has now been referred to two Government Ministers, Mr. Peter Shore, Environment Secretary and Mr. John Silkin, Agriculture Minister, and the water authority is also seeking the support of regional MPs.

The authority claims that it must have unrestricted operational freedom around the reservoir to manage it and check on safety. At the same time, it is under statutory obligation to provide recreational facilities on the reservoir and requires land on the lake side for these to be carried out.

"The Forestry Commission recreational interests are self-imposed and not required by law as ours are. Also any recreation we understake is eligible for grants both from UK sources and from the EEC but this does not apply to Forestry Commission development," says Sir Ralph Carr-Ellison, Northumbrian water chairman.

هكذا من الأصل

More employers give health insurance

BY ERIC SHORT

MORE EMPLOYERS are providing health insurance for their employees, despite the restrictions imposed by pay policy.

Figures for 1978 released by the three leading provident associations — British United Provident Association, Private Patients Plan and Western Provident Association — which account for 98 per cent of the medical insurance market show a membership rise of 11 per cent.

There are now nearly 650,000 subscribers in group health schemes, where the employer pays most or all of the contribution. Since under many schemes the benefits also cover the employee's family, then about 2m people have health insurance under company schemes.

This growth has been achieved despite the pay policy restrictions which have always insisted that health insurance contributions should be included in the pay limits. It was sick pay schemes that had been excluded. But since the ending of Phase Two of the pay policy in August 1977, there has been a growing interest from companies in establishing health insurance schemes.

CHANGE ON YEAR

	Individual	Group	Total
BUPA	−4,235	+40,468	+36,233
PPP	+ 285	+14,237	+14,522
WPA	+1,263	+ 8,697	+ 9,960
Total	−2,687	+63,402	+60,715

It appears the current problems within the National Health Service have encouraged this trend of employers providing health insurance as a fringe benefit although associations are unable to provide any figures to support this.

The other significant feature in the 1978 figures showed that in the second half of the year, the decline in individual membership came to a halt.

Almost certainly the troubles in the health service are making people take another look at private sector medicine and take out the insurance to meet the cost.

Two of the three associations, PPP and WPA, recorded increased individual membership over the year, WPA by 10 per cent. However, BUPA, the largest of the three, had a fall in this area of 1.25 per cent, although almost all of this drop occurred in the first half of the year.

The net result of the associations combined was a drop of 0.56 per cent in individual membership during 1978, but a rise of a similar amount over the second half of the year.

All three associations expect that more employers will follow the trend of setting up group health insurance schemes as part of the fringe benefit package for employees. They are also more optimistic, for the first time in years, that the individual market will start expanding again. After all, it was to provide the necessary insurance facilities for individuals that the associations were first established.

Call to strike at BL Cars expected today

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

SENIOR shop stewards at BL Cars are expected to vote by a clear majority in Coventry today for a total strike by the 100,000 manual workers from Friday.

Management last night appeared to be pinning hopes on the idea that employees, fearful of the consequences for the company, would not give wholehearted support for the strike call.

The issue that has united union leaders of the left and right is the refusal of the company to back-date parity payments due this month to November last year. Management insists productivity has not been sufficient to make such payments self-financing.

BL said last night that if workers could produce 6.1 cars per man this month and next, then payments—worth up to £10 a week for some employees—could be back-dated to February 3. Output at 6.4 cars could mean payment from January 1.

The company maintains that the 6.4 target was achieved in six of the 12 months of 1977—the year the company suffered the month-long toolmakers' strike, the damaging eight-week dispute at the Lucas component company, and problems at its Speke plant. That level was never reached in 1978 and 6.1 cars was achieved in only three months.

The unions say that the company has never given clear figures of the productivity achievements necessary to trigger parity payments. They claim that the agreement to 7,000 redundancies in recent weeks is sufficient price.

For many of the 20,000 workers at a low-paid plant like Longbridge, Birmingham, the company's stand means the loss of up to £14 a week.

Some sectors of management believe loyalties will be divided at Cowley, Oxford, with about 14,000 workers. Although wages are relatively low, there are fears that action could impair the company's ability to fund the new medium-range car crucial to the plant's long-term viability.

Management is expected to make a direct approach to the BL workforce, pointing out the implications for employment of any dispute.

Plea for new exam system

Financial Times Reporter

URGENT Government action to set an early date for the introduction of a common system of school examinations at 16-plus is being called for by the National Union of Teachers.

In a policy statement issued today, the NUT argues that the dual system of GCE and CSE examinations should be replaced. It urges that the machinery for central co-ordination of the new system should be within the Schools Council, and should take the form of a larger examinations committee.

The union considered that national criteria for syllabuses and examinations would provide an opportunity to improve standards. It would also ensure comparable standards between boards.

The union also endorses the recommendations of the Waddell Report. This says that the administrative structure for the new examination system should comprise groups with at least one GCE and one CSE board. A group should also be identified with a particular area of the country, and "appropriate interests" should be represented on the senior body of a group.

● The 20,000-strong National Association of Head Teachers yesterday said the NUT had damaged the credibility of the teaching profession by claiming rises of 35 per cent.

Tribunal will try again to settle rail pay dispute

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL's independent national staff tribunal will meet next week in a second attempt to find a settlement to a productivity dispute which led last month to a series of national strikes by members of ASLEF the train drivers' union.

Although all sides welcomed sending the dispute back to the tribunal after the intervention of Mr. Len Murray, TUC General Secretary, British Rail officials, union leaders and other observers privately admit that it will be difficult to find new ground on which to base an acceptable solution.

Mr. Ray Buckton, ASLEF general secretary, said after agreeing to the tribunal being reconvened that he hoped it would hear the evidence by the end of this week.

Because the tribunal is unlikely to have to repeat the fact-finding field trips which delayed publication of its report last year until five months after the hearing, a speedier finding is expected this year.

Some union officials involved thought the fact that Lord McCarthy, lecturer in industrial relations at Nuffield College, Oxford, who is chairman of the tribunal, and the panel's two other members, had asked for double the time for the hearings this year might point towards an opening up of new areas which might lead to a settlement.

British Rail is seeking to amalgamate the immediate problem, which is over the train drivers' claim for 10 per cent special responsibility payments, with its long-standing amibtion to achieve staffing cuts and with this year's annual wage settlement.

The unions will meet the British Railways Board for resumed pay negotiations late this week or early next week.

British Rail has offered 5 per cent in response to the unions' claims for substantial increases, although the National Union of Railwaymen says that the offer could mean up to 8.7 per cent. All three unions wil be unlikely to settle for anything other than the public sector "going rate," which some have estimated at 15 per cent.

The Transport Salaried Staffs Association, which represents about 48,000 British Rail white-collar workers, had to cancel a special conference on pay yesterday because of industrial action in the public services' dispute.

Tory boundary law 'put Labour ahead'

THE CONSERVATIVES harmed themselves in 1958 with legislation changing the arrangements for dealing with Parliamentary boundaries, a Conservative political pamphlet published yesterday claims.

Mr. Ian Clarke, a consultant statistician and former Conservative candidate, says in his pamphlet, The Great Boundaries Scandal, that the then Conservatvie Government gave the Labour Party a built-in electoral advantage. In return, Conservative MPs who did not want their safe seats redistributed had a slighlty more comfortable life.

It could be argued that this affected the results of the 1964 and the two 1974 elections, Mr. Clarke says.

The change of rules meant that constituency boundaries were almost always out of date. This was because of the increase in time between reviews of boundaries—usually between 10 and 15 years.

The next General Election would be fought on boundaries already 15 years old. This meant that about 70 constituencies were more than 25 per cent larger than average and 51 were more than 25 per cent smaller because of rapid population changes.

Newcastle Central, with just over 23,000 electors, was at one extreme and Basildon, with just over 102,000 electors, was at the other.

This movement of electors had almost always been out of town centres, and into the suburbs and countryside.

Overall, the Greater London area and the Metropolitan counties were over-represented by 23 seats, while the shire counties were under-represented by 21 seats.

Most of the over-representation was in the urban seats of old city centres—inner London, nine seats, Manchester, Liverpool and Birmingham, two seats each, Sheffield, Gateshead and Newcastle, one seat each.

The damage for the Conservatives, stemmed from the fact that over-represented inner city areas tended to be Labour, and under-represented suburban and semi-rural areas tended to be Conservative.

Molybdenum demand raises steel prices

BY OUR COMMODITIES EDITOR

THE PRICE of molybdenum, which went up by more than 20 per cent last year as a result of consumption exceeding supply and reducing stocks to a low level, is the main factor behind British Steel's announcement of increased prices for special steel. It has been one of the few metals in the last four years which has remained in strong demand with prices advancing steadily.

The main reason is the heavy demand for molybdenum for the large-diameter steel pipe used in oil and gas pipelines. Sometimes known as the "space age" metal, moly provides extra durability and acts as a corrosion inhibitor, making it ideal for use in pipelines where repair work, including cracking joints, can be extremely expensive.

Steel pipe manufacturers have, therefore, been prepared to pay increasingly higher prices for moly which, in many uses, cannot be substituted satisfactorily. This demand, which has proved much greater than expected, has come at a time when output has been hit by cuts in copper production, since about a third of world moly output normally comes as a by-product of copper.

Most primary moly production is concentrated in North America, and dominated by Climax, part of the Amax group. Canada and Chile are the two other main producers.

Climax, which has built up a demand for moly over the years, keeps a tight control over prices and supplies. But in recent years, in spite of sizeable expansion in output, notably at Climax's giant Henderson mine in Colorado, supplies have failed to keep up with the increases in demand.

Surplus stocks, previously held by Climax have been run down. Bad weather has forced the company to cut its February/March shipments to its U.S. customers by 15 per cent because of the shortage.

There is little relief from the free market outside the main Western producers. Prices there are three times higher than the official producer quotations and supplies are extremely scarce. The last Climax increases on December 29 raised its price for ferro to about $15 a kilo, while the free market quotation is between $42 and $43.

Union chief spells out fourth TV channel policy

THERE ARE wide differences in the views of the Government and a union on how a fourth television channel should be run.

Mr. Alan Sapper, general secretary of the Association of Cinematograph Television and Allied Technicians said: "We would use our total industrial strength to oppose the establishment of an Open Broadcasting Authority without the required safeguards which we would lay down."

The Government and the Annan Committee on the future of broadcasting recommended that the fourth channel should have few permanent staff, no studio facilities of its own and its programmes supplied by independent producers and ITV companies.

Mr. Sapper, speaking on London Weekend Television last night spelled out a policy which runs against these recommendations.

The conditions to be insisted on by the union, which represents about 18,500 television and film technicians, include permanent employment for workers involved, union recognition and a minimum level of 82 per cent of British original programming.

The union also wants independently made programmes to make up only a minority of the total programmes broadcast.

Job help for youngsters urged

LOCAL AUTHORITIES were urged by the Government yesterday to do more to help "rough-and-tumble" youngsters find jobs.

Mr. John Golding, Employment Under-Secretary, said at the Labour Party's local Government conference in Newcastle-upon-Tyne, that outside areas of exceptional unemployment, there was no general problem for school-leavers.

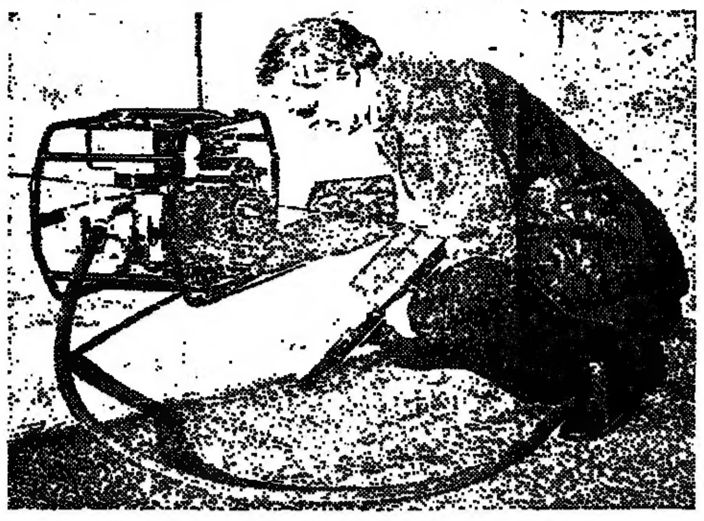
"The brightest and best get work. The problem is one of finding work for our rough-and-tumble youngsters."

The Manpower Services Commission was committed to finding jobs for "educationally subnormal and youngsters with no qualifications." To deny them a chance was social vandalism.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● CONSTRUCTION



This portable compressor weighs only 85 lb and yet can deliver 12 cubic feet per minute of air at 100 psi. UK builders, Powerlite, assert that it weighs only a third as much as its nearest competitor. Powerlite operates from APE Works, Redkiln Way, Horsham, West Sussex RH13 5QN. 0403 2227.

Low upkeep generators

THERE are seven models—offering a choice of handle, electric or automatic mains-failure starting—in a range of low output diesel generating sets introduced by Elco Power Plant, Spencer Road, Bradford, Yorks BD7 2LF (Bradford 73554).

Supplied as a complete package, the sets come with exhaust silencer, fuel tank, fuel oil and air filters and flexibly mounted control panel with voltmeter, ammeters, fuses, circuit breakers and all internal wiring.

Automatic start sets include a mains failure panel, electric start facility and long running fuel tank.

They are designed for minimum maintenance, says the company, and for mobile power situations, an optional robust site trolley offers easy manoeuvrability.

No-maintenance windows

FOR OVER 20 years plastic window frames have been included in the refurbishment or new construction of Continental homes. Their use in the UK, however, has to-date been a rarity.

Aluminium and steel-framed windows, with the now "obligatory" double-glazing, appear to have taken over the market here, because householders seem to prefer the benefits of long-life and minimal maintenance of these materials to the traditional alternative of soft wood with wooden sub-frames.

The present trend of metal and iron-based frames does, however, suggest a number of problems. Condensation is the main bugbear, and, at some time, re-painting may be necessary. These materials also cannot be considered for period properties—and a surprising number of local authority action areas contain homes which come into this category.

The ideal solution would seem to be something which looks like wood, yet appears very unlike metal, will defy maintenance costs and the need to paint or replace.

Prolene is the name of the game, and is the pvc product used for replacement window frames, says Banbury Buildings (part of London Brick Buildings), Banbury House, Royal Leamington Spa, Warwicks, CV32 4JA (0926 27131).

Much of the development work into perfecting this material has been carried out in conjunction with Itres Spa, of Italy, whose products are established in the aerospace industry. Its advantages in the window range include no possibility of rot and corrosion, similarity to timber and, because it is manufactured from white self-colour material, freedom from maintenance. Research has proved that well over 95 per cent of British homes have white-painted window frames.

The UK's climatic conditions were the main considerations for this choice of material, says the company, and it says that its product is specifically a "UK system."

The Prolene window range will initially be limited to the south-east and Greater London area but, as production increases, supplies will be extended to the whole of the UK by the end of this year.

Insulation agreement

FOLLOWING an agreement between Childers Products Inc., of Cleveland, Ohio—said to be the world's largest manufacturer of products for weatherproofing and thermal insulation—Tarmac company Coolag is to manufacture and market the American company's range of products.

Coolag says that it is the largest manufacturer of insulation foams, and can now offer a complete package service to the insulation industry in the UK and overseas.

The range of products available to home and export markets covers coatings, adhesives, sealants and metal jacketing for use on all forms of processing equipment, including refineries, chemical and food processing plants and breweries.

Until now the British company has been known chiefly for its products serving the low temperature insulation market. The result of the agreement with Childers means that in future it will be able to offer a complete range of finishes for both the low and high temperature insulation markets.

The company also has a plant in Holland and already exports about 40 per cent of its UK production.

Coolag is a PO Box 3, Charles-Charlestown, Glossop, Derbyshire (Glossop 61611).

● PROCESSING

Cement sets quickly

IF A non-toxic liquid admixture were used neat with fresh cement, the setting time could be about two minutes, says Index Finishes (UK), Index House, Dawkins Industrial Estate, Poole, Dorset BH15 4JY (02013-78661).

Although it has been primarily designed to facilitate the plugging and sealing of leaks in concrete structures the cement accelerator may also be diluted with water and used as a general purpose admixture to impart various other additional qualities to cement mixes.

Leaks can be sealed in pits, cellars, basements and similar locations by flash setting when used with ordinary Portland or rapid hardening cements, says the company.

Used at the rate of 2.25 litres per 50 kg, and mixed with eight parts of water by volume as the gauging water, it promises a high early strength to sand and cement screeds, granolithic toppings and waterproof renderings, both internally and externally. Floorings, for example, should take foot traffic within four to six hours of placing, depending on ambient temperature.

It is available in 2½, 5, 25 and 200 litre barrels.

Blocks made by the thousand

ONE OF the most modern concrete block manufacturing plants in the country will soon be in operation at a new factory being built by Besblock in Telford, Salop. This major expansion involved a capital investment in excess of £750,000.

An additional 8,000 sq ft of factory space, together with the installation of high speed concrete block fabrication equipment, will enable Besblock to more than double current production capacity and diversify into the masonry block facing market. The facility is scheduled to be fully operational in June.

In two eight hour shifts Besblock can make over 27,000 four inch blocks a day on the existing machine. The Columbia 50 block fabrication unit will produce more than 33,000 blocks in eight hours.

● METALWORKING

Correcting for wear of cutters

WEAR AND drift of cutting tools can be automatically corrected in numerically controlled machining using the Cejmatic measuring probe introduced by C. E. Johansson, 66, High Street, Houghton Regis, Dunstable, Beds, LU5 5BJ (0582 68181).

The device can be used in the magazine or tool changer of the machine tool to make a three axis measurement which is transmitted to an associated data processing unit up to 20 metres away. Values can be displayed with repositioning of the tooling for subsequent operations, or printed out.

An analogue, inductive probe is used and the head also contains a radio transmitter. Dimensions are only 75 mm diameter by 150 mm long, in which space a 9v battery is also housed.

Remote data processing unit has a radio receiver, microprocessor to evaluate the data, printer, and an output device to transfer correction data to the NC/CNC system.

Up to 43 controlled dimensions are provided in the X and Y axes, 42 in the Y, and corrections up to 0.999 mm can be accommodated.

● SAFETY

Watch for smoke in ducts

IN THE belief that the heating and ventilating ducts in large buildings can become effective carriers of hot gases or flames in the event of a fire, Bowcom Electronics (Winnal Close, Winchester, Hands SO23 8LG 0962 69669), has introduced a continuous probe sampler based on an ionisation smoke detector.

The device is mounted in an air-tight housing which is connected to a pair of rigid perforated tubular probes inserted into the duct at a suitable point. As air flows along the duct, it enters through one tube, passes the detector and leaves through the other. Operation is possible at air velocities up to 30 metres/second.

Fitting to the side of a duct is by four self-tapping screws and two holes are needed for the probes.

Beacon runs for ages

BATTERY - powered light beacons charged by AGA's new solar energy converter equipment will be shown for the first time in Bahrein at the Middle East Oil Show in March.

Servicing of the new solar charged units can be a one-man job at intervals as infrequent as two years and confined largely to cleaning the lens and the solar panel and routine lamp replacement. This can be contrasted with the problem that port authorities have experienced in the past when delivering batteries weighing up to 100 kg to remote beacons difficult of access by sea or road.

Type NAPS-12 units consist of a mounting pole carrying a solar panel and battery box and with a top flange suitable for mounting a lantern with an electronic flasher or a leading light lantern. Units are supplied ready wired.

Completely sealed 85 Ah lead-calcium batteries are used and all components have been proved under severe marine conditions.

AGA Navigation Aids, Beacon Works, Brentford, Middx TW8 0AB. 01-560 6465.

● INSTRUMENTS

Krone group sets up UK centre

IN ITS 50th anniversary year Krone GmbH, a leading German company in the manufacture of quick connection devices for telecommunications equipment, has decided to open a subsidiary company in the UK.

Krone (UK) will be based at 6, Stanley Park Road, Wallington, Surrey SM6 0EZ (01-669 2734) from where a full range of products will be offered, including telephone line plant equipment, medium voltage switchgear and electronically controlled indicator boards for railways and airports.

Although the company already supplies certain UK companies which are themselves suppliers to the Post Office, one object of the new subsidiary is understood to be to establish a closer presence for direct business dealings with the corporation.

● PACKAGING

Strapping made safer

TRADITIONAL use of steel strapping materials has in the last few years been challenged by the introduction of non-metallic strapping such as nylon and polypropylene — yet the later have not been able to compete in high impact resistance.

Advantages gained, however, are in handling, storage and disposal, and there are no rough, cutting edges to cause accidents to operators' hands. Lifting of coils is less arduous, and space taken up by a coil of nylon or polypropylene is much less than that of its equivalent in steel.

Tests conducted by the company how that a sudden impact of 700 inch-pounds of energy will break half inch steel, nylon or polypropylene strapping—whereas polyester material of the same width requires more than 925 inch-pounds of impact energy to break it.

High impact resistance is combined with low elasticity (stretch), and the polyester undergoes minimal tension decay over extended periods.

Complete ranges of tools and accessories for the system are also available from the company's stockists.

3M is at PO Box 1, Bracknell, Berkshire (0344 58248).

● HANDLING

Keeps the conveyors clean

INEXPENSIVE AND easily applied, a conveyor cleaner has been introduced by Alvax Designs of Bristol. Fitted in less than two hours, it is claimed to eliminate the problems of container contamination caused by product spillage or dirt build-up on slatband conveyors.

Food, cosmetics, industrial lubricants and other important materials are plagued by problems of containers being contaminated by the conveyor belt itself. Alvax, packaging machine consultant says that prior to the advent of the cleaner, manufacturers were forced to adopt various labour intensive or stop-gap methods to cure the problem.

Where spotless presentation is important, it is not unknown for personnel to be assigned to hand-wipe the bottom of every container prior to packing. Stopping production to wash down the belt, or continuous sprays on the belt, are also typical methods used.

Alvax Designs, 60 Redcliffe Street, Bristol 1. 0272 290040.

Building and Civil Engineering

U.K. plans Abu Dhabi airport

BRITAIN has won a prestige contract to design a new £66m international airport for the Middle East state of Abu Dhabi, to project manage its construction and to advise on its final "modus operandi" when completed in four years' time.

Commissioned for this work is an eight-firm team of consultants — led by consulting engineers Scott Wilson Kirkpatrick and Partners of Basingstoke, Hampshire—which has now started the initial study for the new airport to be located near the oasis town of Al Ain, 100 miles east of the Emirate capital.

The contract was placed in the UK by Abu Dhabi's Department of Public Works following evaluation of a number of alternative proposals from consultants in seven countries.

Subject to the study is the selection of a suitable site which, when approved by Government, will be followed by the detailed design for the complete airport. Tenders for construction are expected to be invited next year. The airport should be operational by the end of 1982.

Because the facility will be situated in a desert terrain, the British consultant team is having to tackle the unusual problem of stabilising surrounding sand dunes to avoid drifting on to reclaimed land. Tree planting and related irrigation will play an important role in the solution to this problem.

The team, headed by SWK, includes Murray Ward and Partners (architects), G. H. Buckle and Partners (services engineers), Northcroft Neighbour and Nicholson (quantity surveyors), T. W. Welch and Partners (consultants in radar and navigation aids) and Minster Agriculture which will handle environmental aspects of the development.

Also in the team are British Airports International, the overseas consultancy arm of British Airports Authority which, in conjunction with International Aeradio will handle traffic forecasting and advice on the setting-up of the management structure and the commissioning of the new airport.

The Al Ain contract joins three other major airport projects which SWK is currently handling abroad—at Doha on the Arabian Peninsular and at Kota Kinabalu and Sandakan in East Malaysia. Three further airport contracts—in Kenya, Malawi and Libya—are the responsibility of the consultancy's overseas partnerships.

Laing eyes on Amman airport

GENERAL Enterprises Company (GENECO) has awarded to John Laing International a second management services contract for work at Jordan's new Queen Alia International Airport, near Amman.

The new work is valued at £21.5m and is for part two of the heavy civil development, which includes main runways, aprons, parking areas, access and service roads, together with all services. Completion is due by August, 1980.

The first Laing management services contract for Geneco at Queen Alia International Airport is for the £33m main terminal building, on which work started in September, 1978. Designed capacity of the airport is 2.6m passengers a year by 1985, building up to 6m passengers annually by the year 2000.

Main contractors for the airport to the Ministry of Transport of the Jordan Government are Geneco of Amman. Designers are Tippetts-Abbett-McCarthy-Stratton (TAMS) New York, and the consulting engineers for the Government are Dar Al-Handasah, Shair and Partners of Beirut, in joint venture with Sir Frederick Snow International of London.

At home Laing is to be involved in the construction of homes for up to 674 people under a £2m contract for Washington Development Corporation.

Work is expected to start in March with completion in two years' time.

There will be 147 dwellings comprising one, two, and three-storey houses with blockwork walls throughout, and rendered with colour finish.

Irrigation schemes

DEPARTMENT OF Irrigation, Government of Nepal, has appointed Sir M. MacDonald and Partners, consulting engineers of Cambridge, to undertake design and supervision of construction of the Sunsari-Morang irrigation project.

Purpose of the project is to rehabilitate an existing irrigation system and to construct additional works and improvements to ensure efficient operation and effective maintenance. It will include restoration and improvement of the Chatra main canal and associated structures; improvements including additions to the water distribution system in an area of 60,000 hectares; planning and design of a complete minor canal and drain system to feed 10 hectare units in an 18,000 hectare priority area; and the provision of priority drainage for 3,000 hectares of low lying land.

The Chatra Main Canal was built some years ago to supply irrigation to 60,000 hectares, but has been subject to deterioration.

The project is to be financed by the World Bank and a notional figure of its total cost is about £60m.

Work is beginning now on three irrigation projects in Somalia.

The State Planning commission has selected the firm to carry out a supplementary feasibility study of the Moganbo irrigation project, which is situated on the right hand bank of the Juba river, about 50 km north of the coastal town of Kismayo.

The project area embraces about 7,000 hectares of land earmarked for general agriculture. The project forms part of the overall Juba River Development, which was the subject of an earlier study now being re-appraised.

State Ministry of Agriculture has appointed the engineers to carry out design and supervise construction of the Dudduble floor relief channel.

The third new scheme in Somalia comprises a desk study re-appraisal of the Afgoi-Mordile irrigation project. This will include separate reports on the proposed construction of a rice mill and a feedlot, and also an appraisal of an existing 400 hectare irrigation project at Golweyn.

Tarmac jobs north of the Border

TARMAC's Scottish regional construction units have started the year with new orders worth nearly £5m.

The biggest jobs are with the Grangemouth-based East Scotland Area. At Livingstone the company will set up 21 advance factory units for the local Development Corporation on the Brucefield Industrial Estate. Also at Livingston, work will start shortly on new factory premises for Burroughs Machines.

North Scotland regional organisation, based at Dundee and Forres, has Department of Environment contracts worth almost £800,000 and the Glasgow-based West Scotland Area has recently won several contracts.

Meanwhile work has begun on the final stage of the £6½m development plan for the Portchester shipyard of Vosper Thornycroft (UK). In hand are a £1.3m ship-lifting system and a £1.4m fitting out dock.

Mechanical fire alarm

MAIN ADVANTAGE of a fire sensor put on the market by Gray - Campling, Magnalux House, Southcote Road, Bournemouth BH1 3SW (0202 291828) is that it is entirely self-contained and requires neither wiring nor maintenance under normal conditions.

Called Vanguard Thermosonic, it is made in the U.S. and meets Underwriters' Laboratories requirements.

It consists of a highly conductive heat collector and a low melting point "fuse": set to a pre-determined temperature (136 or 175 degrees F, depending on the sensor materials) the alloy melts and releases a clockwork mechanism to sound a loud bell.

The device can be re-used simply be replacing the sensor and winding up the clockwork motor.

IN BRIEF

● Expansion in the chemical industry has led to contracts valued at £¼m being placed with Henry Balfour and Co., of Leven, Fife. Bulk of the contracts is for the supply of glassed steel vessels to Daniel Construction Company, International who is developing a new chemical plant near Cork, Eire, for American pharmaceutical company, Eli Lilly.

● TAC has been awarded a £210,000 order for asbestos-cement pipes for a water main which is part of the Milton Keynes Grid Main, stages 11 and 14, for the Anglian Water Authority, Bedford Water Division. The company is to supply over 7,000 metres of Everite pressure pipes, 300 mm to 600 mm diameters with cast iron fittings.

● A two-storey laboratory and office block frame structure comprise a contract for £140,000 awarded to Bison Concrete by the Institute of Hydrology, to be built at Howbery Park, Wallingford, Oxon.

● The contracting company of the Eaton-Williams Group, Precision Air Control, is to install close control air conditioning at hospitals in Libya, North Africa, and Belize in Central America. At the latter hospital, the system has been designed by the Property Services Agency of the DoE and the company will install equipment to their specification under a contract valued at £48,000.

● M. Harrison and Co (Leeds) has won a £442,000 home development contract with the Bradford Metropolitan Council for 42 dwellings.

● Work worth over £1m for the construction in nine months of a new office block and the modernisation of an existing block for Rolls-Royce Motors to has gone to Gee, Walker and Slater.

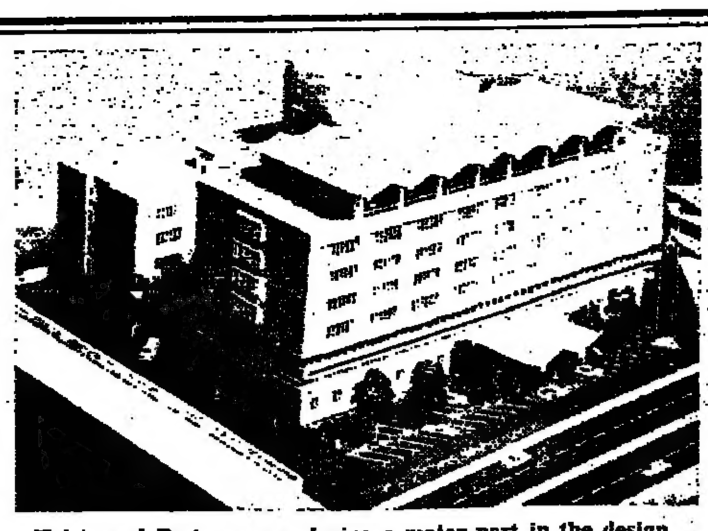
● A. Monk has received contracts to the value of £811,000. One for £568,801 is placed by British Rail for reconstruction work on the Harwich/Parkeston Quay. A contract for £242,301 is for Buckinghamshire County Council for reconstruction and improvement works to a section of the M1 motorway.

● Recently formed from the amalgamation of the Federation of Stone Industries and the Association of Natural Stone Industries, the Stone Federation is due to hold its first council meeting tomorrow at the London headquarters of the National Federation of Building Trades Employers, 82 New Cavendish Street, London, W1.

● First of two contracts totalling £1m awarded to Corrall Construction is for the extension and refurbishment of Hamilton House Hotel in Warwick Street, London, SW1. This is for Embankment Hotels (Belgravia) and is to be carried out in 25 weeks. A further £155,000 worth of work is the modernisation and refurbishment of a reception centre for the London Borough of Islington.

● A second order for a system built bowling alley for an RAF station has been received by S. Wernick and Sons, Billericay, this time for RAF St. Eval, Cornwall. The first was for the recently opened Henlow Bowl, RAF Henlow, Bucks., where the building measures 112 feet by 32 feet.

Both orders are for timber-framed buildings with equipment, fittings and furnishings as complete package deals. Each contract is for about £40,000.



Halste and Partners are playing a major part in the design and erection of this £18m building complex in Tripoli. National Consulting Bureau of Libya has appointed Halste to provide overall design and associated services. The building is for the Ministry of Planning. Halste is working in association with architects Richard Shepherd, Robson and Partners (Overseas).

Tilbury in the West

WORK AWARDED to the three western offices of Tilbury Construction, based in Radstock, Newton Abbot and Penarth, totals over £1¼m.

A contract valued at £335,000, from Inter County Express of Ramsbottom, is for a warehouse, vehicle maintenance workshop and two-storey office block at Pontyclun, Llantrisant, mid-Glamorgan.

British Gas has instructed the company to proceed with contract 2 of its Southern Gas project at Hilsea, Portsmouth; in respect of a reversible liquid nautral gas plant. The contract, in excess of £300,000, involves excavations and construction of reinforced concrete pits and foundations.

Construction will soon begin for the Blue Ball Pumping Station and rising main at Exeter for East Devon District Council under a £298,000 contract.

Other work includes a warehouse extension, sewer reconstruction, alterations to existing buildings and an operational depot.

Survey ship for hire

RECENTLY CONVERTED stern trawler, "Kilsyth," is now available from Hunting Surveys of Borehamwood, for undertaking hydrographic, oceanographic, geological and/or geophysical investigation in shallow or deep water environments for rig, platform or wellsite surveys, pipeline route surveys or inspection services worldwide.

Range of survey equipment on vessel includes fully automated position fixing and hydrography (using Hewlett Packard 1000 based data plot system); pipeline inspection equipment; various geophysical systems; gate valve assemblies designed to take a variety of underwater acoustic positioning or depth measurement transducers, and ability to handle vibrocorer sea bed sampling equipment and remote controlled vehicle.

Information, charter rates, availability, etc., on 01-953 6161.

Kingston's big project

THE ROYAL Borough of Kingston-upon-Thames has appointed Bovis Construction as managing contractor of the design and construction of the £4.75m Guildhall extension phase 2 at Kingston Hall Road.

The four storey building, which will provide 70,000 sq ft of accommodation is required to permit the centralisation of departments now scattered throughout the borough.

It will occupy land now used largely as an open car park and there will be provision for 93 vehicles at semi-basement level.

The design, produced by Bovis in conjunction with Roy Roe Associates, provides a building to harmonise with the character of the existing Guildhall, and also recognises the requirement for substantial off-street parking and purpose built offices.

The council is also considering the provision of a new multi-storey car park on nearby land for the staff and public. This car park would be centrally located close to both the town centre and the new office complex.

Construction work on the New Guildhall extension is due to begin on site in June, 1979, and is scheduled for completion at the end of March, 1981.

Provision has been made within the design for a future extension which could add a further 30,000 sq ft gross office space, without increasing the overall scope of the building. This would be achieved by withdrawing parking space from the precinct area.

Cladding is easy to apply

WHERE A building is situated in a remote area, and the cost of transporting necessary labour may be prohibitive, a company can supply a pre-fabricated fire-casing system which is rapidly applied.

Following site surveys and completion of drawings, a range of casings is made available for the commonly used column sections or beams to be clad. Average length of column to suspended ceiling height is 2,700mm to 3,000mm—longer lengths for staircases or banking halls may be accommodated by special joint details.

Asbestos-free Alphire mineral wool board [to BS476 part 8] is used in the galvanised sheet steel casing system called A-line, and it is supplied in pvc coated steel or painting grade ready for final decoration.

More from Morceau Fire Protection, Morceau House, Brookhill Road, Wharf Road Industrial Estate, Pinxton, Notts NG16 6LE (0773-812505).

Aggregate agreement

A TEN YEAR agreement for the movement of four trains per week—up to 238,000 tonnes annually—of hard stone aggregate has been signed by Redland Aggregates and British Rail's London Midland Region.

Aggregate will come from Redland's Buddon Wood quarry (Leicestershire) and be loaded into high capacity privately owned wagons at the nearby Barrow-on-Soar private sidings for rail delivery to terminals at Radlett, Norwich and Higham (Kennet).

Under the Railways Act, 1974, Section 8, Redlands received a grant of £1.1m towards developing terminal facilities at Mountsorrel, Radlett and Higham.

Sports car plant award

NORTHERN Ireland companies McLaughlin and Harvey, and Farrans have been appointed as joint managing contractors for the construction of the £12m factory being built in Northern Ireland for DeLorean Motor Cars.

McLaughlin and Harvey and Farrans will work under the supervision of architects Brodie and Hawthorn and Seri Renault Engineering.

McAlpine's £6m award

CIN Properties has placed a £6m contract with Sir Robert McAlpine and Sons for the construction of a large covered shopping complex in the town centre of Chesterfield.

Some 25,000 sq metres of floor space will be provided in a building measuring 180 metres by 72 metres on plan. Excavations on the 11-hectare site will involve the removal of 36,000 cubic metres of spoil to a depth of 6 metres.

The design by architects Elsom Pack Roberts Partnership blends no fewer than 16 ancient buildings within the confines of the site into the new structures.

Kent scheme by Wimpey

WIMPEY has reached agreement with Kent County Council for the construction of a further 149 homes at the County Council promoted Singleton Development Scheme at Ashford.

This latest scheme worth around £3m brings the total number of dwellings completed or under construction in Wimpey joint venture schemes with local authorities to well in excess of 6,000 units.

To date, 47 projects have been undertaken for 31 local authorities and development corporations in a variety of schemes.

Aberdeen office of Wimpey has been awarded a contract valued at £250,000 by Inverness District Council for the refurbishing of 46 houses in the Dochfour Drive area of Inverness.

In the meantime, the company has started on a new £7.5m contract for the second phase of the Basingstoke Town Centre Development for Basingstoke and Deane Borough Council in conjunction with BP Oil Trustees.

Phase II consists in an extension to the existing town shopping centre including service level with storage, plant rooms and delivery areas.

LEGAL NOTICES

No. 00210 of 1979
No. 00213 of 1979
No. 222 of 1979
No. 00233 of 1979

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matters of THOREN PUBLISHERS LIMITED, CAPITAL AQUARIUM LIMITED, FIREFLY RECORDS LIMITED, COLLINS— LIFTS (ELECTRICAL ENGINEERING) LIMITED and in the Matter of the Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that Petitions for the winding-up of the above-named Companies by the High Court of Justice were, on the 22nd day of January 1979, presented to the said Court by THE COMMISSIONERS OF CUSTOMS AND EXCISE, of King's Beam House, 39/41 Mark Lane, London, EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 26th day of February 1979, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39/41 Mark Lane,
London, EC3R 7HE,
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to, the above-named notice in writing of his intentions so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of February 1979.

PUBLIC NOTICES

EDUCATIONAL

Gresham Lectures in Music

BOB DYLAN

by Professor Wilfred Mellers
3 one-hour lectures at The City University, Northampton Square, EC1 at 1.00 p.m.
February 6, 20 and 27.
Admission Free

ART GALLERIES

AGNEW GALLERY, 43 Old Bond St., W.1. 01-629 6176. 106th ANNUAL WATER-COLOUR EXHIBITION. Until 25 February. Mon.-Fri. 9.30-5.30. Thurs. until 7.

BROWSE & DARBY, 19, Cork St., W.1. Philip Sutton—Recent Paintings.

CRANE KALMAN GALLERY, 178 Brompton Road, S.W.3. 01-584 7566. 20th CENTURY ENGLISH AND EUROPEAN PAINTINGS AND SCULPTURE including works by Dufy, Grosz, Hepworth, Miro, Moore, Nicholson, van Dongen, etc. Until 20 February. Mon.-Fri. 10-6. Sats. 10-4.

FIELDBOURNE GALLERIES, 63, Queens Grove, N.W.8. Telephone 01-586 3600. CONTEMPORARY BRITISH ART. Mon.-Fri. 10-6. Sat. 12.30-3 p.m.

FINE ART SOCIETY, 148, New Bond St., W.1. 01-629 5116. BRITISH ARTS 18th 20th Century.

MARLBOROUGH, 6, Albemarle St., W.1. TOM PHILLIPS Paintings, Watercolours and Drawings. Mon.-Fri. 10-5.30. Sat. 10-12.30.

REDFERN GALLERY. DAVID EVANS. Watercolours 1978. January 30th-February 28th. 20, Cork Street, London, W.1. Mon.-Fri. 10-5.30. Sats. 10-12.30.

NOTICES COMPANY

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office, (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 12th February, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £35,000,000.
2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 15th February, 1979, and will be due 91 days after date, without days of grace.
3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent. (being a multiple of one new halfpenny) which will be given for the amount applied for.
4. Tenders must be made through a London Banker, Discount House or Broker.
5. The Bills will be issued and paid at the Bank of England.
6. Notification will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque on the Bank of England not later than 1.30 p.m. on Thursday, 15th February, 1979.
7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall.
8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST,
Comptroller of Financial Services.
The County Hall,
London SE1 7PB.
5th February, 1979.

TATE & LYLE, LIMITED

Notice to Holders of Bearer Shares

NOTICE IS HEREBY GIVEN that the Seventy-sixth Annual General Meeting of TATE & LYLE, LIMITED will be held at the EUROPA HOTEL, DUKE STREET, GROSVENOR SQUARE, LONDON, W.1, on Thursday, the Eighth day of March 1979 at eleven-thirty a.m. for the following purposes:

1. To receive the Company's Accounts for the year ended 30th September 1978 together with the Reports of the Directors and Auditors thereon and to declare a final dividend on the Ordinary Stock of the Company.
2. To elect Directors.
3. To re-appoint Touche Ross & Co. as Auditors and to authorise the Directors to fix their remuneration.

Any member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy may be obtained by application to the registered office of the Company. If you wish to appoint a proxy you will be required to send your Bearer Stock Warrants with the form of proxy and these will be returned to you after the Meeting and any adjournments thereof have been concluded.

By Order of the Board,
J. E. WRIGHT,
Secretary.

Sugar Quay,
Lower Thames Street,
London, EC3R 6DQ.
24th January, 1979.

KINGDOM OF NORWAY
US$30,000,000 5½% 20 YEAR EXTERNAL LOAN OF 1965

Bondholders of the above Loan are advised that the redemption due 1st April, 1979, i.e. US$2,055,000 Nominal has been effected by purchase.

HAMBROS BANK LIMITED
5th February, 1979.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Hidden dangers of looking too far ahead

By CHARLES BATCHELOR, in Amsterdam

UNLESS PHILIPS, the giant Dutch electronics group, develops new markets and products by 1991, nearly a quarter of its 85,000 jobs in Holland will disappear.

This startling piece of information is contained in a survey prepared by the group on *likely social developments up to the year 1991*. Not surprisinly, it caused consternation when a copy found its way into the hands of the NVV trade union federation.

Not all of the developments outlined in the report go into great detail and many of its findings are unexceptional. But those details which the union, understandably enough, chose to highlight, were embarrassing enough for Philips and for the social forecast group which prepared the survey.

"I would not say we would not produce a report again," Dr. Peter Winkel, Chairman of the forecast group and deputy *director of social affairs* at Philips said. "But we would do it differently. You must realise the consequences of an *internal report* being published," he says ruefully.

"What struck us about the union's reaction to the details released was that no-one said our findings were not correct," Wim Hillen, secretary of the forecast group said. "Everyone said our findings were regretable but no one said they were wrong."

How do companies like Philips, which has 384,000 employees worldwide and is the largest private sector employer outside the U.S., go about looking into the future? And why the need to add their own crystal gazing to that carried out by the many private and government forecasting institutes?

The aim was to see "if the forecasting was sufficiently tangible to make a real contribution to decisions on the company's social policies," the forecast group said. The report was *limited but is of sufficient* quality to justify study in relation to questions of policy, it added.

It is too early yet to say whether the survey has fulfilled its purpose although there may be a provisional answer by *the middle of next year*, Dr. Winkel said. He admits, though, that there is the danger that the lengthy discussions will produce *little concrete result. But even* if the real purpose of the survey is not fulfilled, the effort which has been put into looking into the *future will not have* been wasted. "The report has made people think. It has made them look at likely developments to see whether they are a threat or an opportunity," Dr. Winkel said.

Philips, like many other companies, usually restricts itself to a four-year review. This survey, which was completed in May 1978, looks 13 years ahead to 1991—not too close and not too far into the future. It is also Philips' centennial *year. All the survey has been* able to do is to sketch some of the contours. "Very little is clear cut. There is mostly an *ebb and flow with the precise* point at which the tide turns difficult to pick out," the forecast group says in an introduction.

The nine-strong team which formed the social forecast group went to the many published works—often the fruit of many years' study by groups of experts—to distil a picture of the future. Drawing on the expertise of the operational side of the social affairs department they put their own conclusions together, meeting to compare notes for an afternoon every two to three weeks.

Sources

The survey lists more than 50 written sources for material including government studies, reports by *specialist government* advisory groups, studies by the unions and the employers' organisations as well as academic texts. Most of the sources are Dutch, not because of Holland's advanced position in many social matters but because, since Philips is headquartered in Holland, the future is best seen in terms of that country's social structure and legislation.

The survey begins with a list of assumptions about the future, drawn from the written sources and based on Philips' own experience in social matters. These assumptions are then worked out in more detail in four areas: the trade unions, incomes, personnel and company structures. In the final section of the 65-page report a number of points raised are checked to see if they could form the basis for policy decisions.

As far as trade unions are *concerned Philips foresees that* they will become more involved in defending the interests of individual members. This could *bring them into conflict with* works councils which already operate in this area. Tension is expected to increase between *the unions and their members* because the unions will either conform to broader general interests or adopt radical attitudes which cannot be reconciled with economic realities.

New forms of labour contract—*part-time work, work at two* jobs, and temporary project-related employment—will blur the concept of the "employee" and will *reduce the need* for identification with an organisation such as a union. Despite these problems the unions will *continue to fulfil a role in* society, the report concludes.

In the field of incomes, the forecast group foresees a move *to a* more bureaucratic salary structure under the influence of increased government involvement in investment, profit distribution *and* wages.

The unions and the works councils will gain a bigger say in setting individual incomes. The unions are naturally in favour of a more formalised income structure since this will give them a greater control of wage levels, but this trend will be opposed by senior staff.

Salary structures embrace a large number of different scales which allow only small differences of salary. This limits opportunities to reward performance. Attempts by governments to narrow the range of incomes appear to be leading to the setting of maximum as well as minimum income levels. Meanwhile factors such as education and experience will count less towards determining salary levels; they will increasingly be seen as rewards in themselves. Responsible jobs for which there is great demand will also increasingly be seen as reward enough.

The leaking of the Philips' survey to the unions means that not only does the report reflect future developments, it may influence them. There has not yet been any indication that the unions will use details contained in the report to help mould their demands in the 1979 wage round, Dr. Winkel said. But reading that Philips expects a move towards a 36-hour working week will obviously give them further encouragement in their efforts to reduce working hours. Dutch unions are in fact aiming for a 35 hour week but this has been opposed by the employers on the grounds of cost.

Serious issues are raised, though, by the leaking of the Philips report, Dr. Winkel admits. If a company cannot assume sensitive information will remain confidential, how can it come to unbiased conclusions about the future?

A vision of the factory in the ideal society

BY FRANCIS DUFFY

PERHAPS WE do not give *enough credit to William Morris*, that bearded, ex-public school boy Socialist. One hundred years ago he took the trouble to *describe what he thought a* factory would be like in an ideal society. The buildings would be simple but beautiful; they would be surrounded by flowers, parks and gardens; inside they would be full of light and air. Factories would be places for learning and amusement as well as for manufacture. Everyone could be happy there.

The 1880s were still the era of dark Satanic Mills. Although a handful of great philanthropic industrialists — Levers, Cadburys, *Rowntrees — were* indirectly or directly, sooner or later, influenced by Morris, his vision must have seemed excessively Utopian to the average Bradford millionaire or to the entrepreneurs who created the industrial landscape which one sees so clearly from spaghetti junction in Birmingham. Flowers indeed!

Even planned industrial developments like the Team Valley Trading Estate of the late Thirties or the highly self-conscious industrial landscape of Milton Keynes maybe less than Utopia. But strong pressures exist for an improvement in the physical environment of industry. These pressures are not entirely fanciful and may yet result in factories not too dissimilar from those imagined by Morris.

First, and most obvious, is the management drive to do things properly. This is, these days, more characteristic of American than British management. It leads at one end of the scale to painting obscure and usually *neglected places like the inside* of plant rooms and lift shafts—the twentieth century equivalent of the medieval master *builder carving intricate details* far beyond the reach of the naked eye.

At the other end of the scale it leads to the sort of projects which tend to win the Financial Times Industrial Architecture Awards—immaculate exercises in concrete, glass and steel which are usually photographed only from the outside. Quite obviously they are buildings which are valued by their owners and their architects as magnificent objects—large scale versions of seductive consumer durables like cameras and cars. They symbolise justified pride *in company and product. Doing* things properly is certainly the basis for fine buildings.

But it is not everything. *William Morris's idea of a factory* as it might be was not just the shape and construction of the building. His vision also comprehended the relation of design to the technical and social processes of industry—how design supports our work and how novel forms of work call for invention in design.

This is a far more difficult task for the designer, who must be imaginative enough to understand what industry is like now: even more challenging, he must try to work out with clients *how it is going to change*.

Concepts

Fine examples of this kind of sympathetic design innovation can be found in Sweden and Holland, where beautiful graphics and colourful space dividers have been used to reinforce concepts like the mini-production line.

Take one Dutch example of a typewriter factory. Instead of the usual remorseless logic of production, concern with human factors has led to the creation of small, quasi-autonomous production units with responsibility for, and control over, the making of *recognisable* products. Here design, by defining the limits of the autonomous working groups, by reinforcing their *identity, and by shouting out* loud their importance is a vital auxiliary to management planning.

This is a long way from the shortsighted attempts to use design directly to get higher productivity. It is not that the *factory walls* have been painted pink rather than blue, in an attempt to get people to work harder; more important, someone has decided that it is worthwhile caring enough about the workplace to do something for its occupants.

Far, far more important is that the work environment has been designed to support this industry's particular combination of social and technical requirements. Design, while not a prime mover in industry, is such a potent means of conveying messages about the way your organisation wants to be that *you forget* it at your peril.


William Morris: a vision of factories as places of learning and amusement as well as manufacture.

William Morris would not totally approve, even of immaculate industrial environments, *if they were intended only to* further production. His vision assumed a far greater interest of the worker in the factory *than is customary. It would* be a place for learning and leisure as well as for enobling labour. What is most disap*pointing about* trade union interest in the industrial environment is a strong negative, even puritanical streak. *Rather than specify what a good* working environment would be like, unions have tended to concentrate only on trying to eradicate the very worst physical industrial problems like excessive noise, silicosis, poisoning, dangers to life and limb.

Just as naturally, legislation to protect the worker takes the same prophylactic line. "The Hazards of Work and How to Avoid Them" is the title of one of the best handbooks for trade unionists on the working environment—no mention of "The Factory as it Might Be." While there are *important* historical reasons for this, in the sense of a legacy of mistrust and the memory of truly *appalling working conditions*, it is still a pity, a missed opportunity, a lost vision.

Is it entirely lost? You can walk round many a factory, amid the oily detritus of production, and admire the fine housekeping men have carried out on their individual machines.

Recent studies by a social psychologist at the Cummins *plant at Shotts, near Glasgow* (designed by Ahrends Burton and Koralek) show that workers do not, as is so often *said, prefer foul conditions*. They have pride in their work and their conditions and are more than willing to express what they want if they are asked in the right way.

The Cummins findings are absolutely consistent with the *increasing expectations of the* quality of the working environmen which can be observed in Cummins plants in the United States and *in other companies* in Northern Europe. Why shouldn't the factory have plants and break areas like the new offices? Why shouldn't there be furniture especially designed for the factory which is bright and colourful as well as tough and comfortable? Squalor is a symptom of defeat; good conditions a sign of pride.

William Morris knew this. Deep down the old *socialist* was quite a good businessman. He knew how to make a bob or two. Like most of us he enjoyed working. He cared about the way the work was done as well as about the lovely things he made. Unlike most of us he bothered *to imagine* what his ideas would be like in practice.

Revolutionise

What he didn't know, of course, is the way that technology would revolutionise the working environment. William Morris never thought about the human or the design problems of an oil refinery, where millions of pounds worth of equipment is looked after by a handful of peripatetic and highly skilled professionals. He certainly could not have *imagined the impact of automa*tion, which is diminishing routine drudgery and, it could be argued, is thus paradoxically *increasing the value of labour*. The future factory may be more easily hidden amid flowers than Morris ever thought. It will have to be designed to cope with leisure. It may even be found in people's homes.

There is strong evidence in Britain and elsewhere that our stereotypes of the industrial environment will have to change fast. Partly through technological change and partly through organisational and worker pressures we may just be approaching a world of work not unlike that described in "A Factory as it Might Be."

It will not just be good production engineering that will get us there. There are three other major pressures:

- increasing expectations of the work environment, both in the factory and the office, by those who have to work there. William Morris argued that if each 19th century factory supported a useless stately home, why shouldn't a little domestic grandeur find its way into the factory? Now that offices—and even some factories—are potentially far plusher than homes, we are rapidly approaching this state of affairs.
- an increasing understanding of the way design can be used to support organisational objectives. The more novel forms of organisation we design, the more imaginative will be the use of physical elements of the work environment.
- last but not least, the pride of management in doing things properly, in running a factory as the Navy runs a ship, will increase the chances of excellent working environments for all.

Greater expectations and increased awareness, novel solutions to novel organisational problems, good old commercial pride are all factors leading towards the factory as it might be. Perhaps William Morris knew about more than just making wallpaper.

Francis Duffy is a partner in the firm of architects, Duffy, Eley, Giffone, Worthington.

Business courses

Management Skills for Women, London. March 12-14. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD

Developing Managerial Effectiveness, Henley, Oxfordshire, March 25-31. Details from Henley Administrative Staff College, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU.

The Art of Stores Management, Bristol. March 13-15. Fee: £150 plus VAT. Details from Purchasing Economics, Pel House, 35, Station Square, Petts Wood, Kent BR5 1LZ.

Practical Sales Management, Brussels. March 12-16. Details from Registrar, Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

General Management Skills Development, Oxford. March 25-30. Details from Eurotech Management Development Service, PO Box 28, Camberley, Surrey GU16 5HR.

Semiconductor plant to open in Cheshire

BY JOHN LLOYD

GEC-FAIRCHILD, the semiconductor manufacturing company

Financial Times February 8 1979

LOMBARD

Denis Healey's horror story

BY SAMUEL BRITTAN

MOST OF US know in our bones that the next Budget must be pretty tough if it is to be adequate. One reason for this, although not the only one, is the pay explosion, following the predictable crumbling of the Government's incomes policy.

In a speech in the House of Commons on January 25 the Chancellor painted a hypothetical horror story warning of double figure inflation, higher unemployment and higher taxes if wage increases were to run away. The moral was clear enough but some of the figures were puzzling. As part of our present troubles arise because the content and purpose of Government financial policy was never sufficiently explained it is important to examine the matter in a little detail.

Mr. Healey started from an assumption, which he hoped would prove mistaken, of a 15 per cent increase in "earnings." Mr. Healey's basic contention was that the wages overrun would increase central Government, local authority and nationalised industry costs by £1bn each, making £3bn in all.

Conclusion

"Half or under half" of that would be reflected in a higher Public Sector Borrowing Requirement, the rest coming back in tax and other revenue. The conclusion most people drew was that the Chancellor expected the PSBR to be nearly £1½bn higher as a result. Some of this would be reclaimed by cuts in the volume of spending brought about automatically by cash limits. But as it would not be practicable to recoup all the excess in this way there would still have to be discretionary cuts in the volume of spending and/or tax increases.

The CBI team of economic forecasters have, however, carefully tested the effects on the PSBR of a 5 per cent deviation either way in the national earnings average, and have concluded that this would have a negligible effect on the PSBR in 1979-1980. This is so even on the asumption that public spending goes ahead as planned with no restrictive effects from cash limits.

The main reason why the PSBR may not suffer seems to be imperfect indexation both on the expenditure and on the revenue side. The automatic increase in personal allowances under the Lawson-Rooker-Wise amendments will reflect inflation in the calendar year 1978 and not cover any acceleration in the coming financial year, 1979-1980. In addition, neither the lower tax band at the bottom, nor the higher ones at the top, have been indexed. On the expenditure side the uprating of pensions and related benefits to cover higher prices will not occur until November; so the Treasury would gain in 1979-80 from an increase in the inflation rate. Or to put it in the horrible jargon we still have, for these and other reasons, some "fiscal drag."

Tough Budget

Other reputable forecasters tentatively take a similar line to the CBI. But unfortunately their queries about the Healey arithmetic do not reduce either the likelihood or the need for for a tough budget. The discussion so far has been about the difference that accelerating wages will make to the PSBR. But the £8½bn forecast which Mr. Healey has now made into a firm commitment dates back to the autumn. Plausible guesses I have heard both outside and inside Whitehall suggest an upward revision of this basic figure, irrespective of any wage explosion, to perhaps £9½bn.

More important is the Treasury's desire for caution, when inflationary fears are rising, and its real counter-inflation strategy is almost wholly dependent on keeping sterling as strong as possible. These considerations can be made to sound more erudite by discussing the chances of some increase in the velocity of circulation of money. But the main point is that the money must be seen to be "not there" to finance any kind of wage figure which union leaders draw from a hat.

One can think of many technical explanations why the Chancellor's calculation of the wage impact on the PSBR should be more pessimistic than outside forecasters. The whole episode, however, illustrates the importance of "telling it like it is" and the impossibility of conveying all the important assumptions behind a complex but important argument in a highly charged parliamentary debate. Would the country have come to a halt if, when the Chancellor had finished speaking, he had laid a full Treasury working paper on the table, as would be normal practice in many other countries? Journalists, too, would be able to write about real issues rather than arithmetical quibbles which produce disturbance mainly because they are allowed to remain obscure.

Safeguards for the Gaming Board

THE GAMING BOARD for Great Britain is one of those English-style institutions devised from time to time to steer a course between arbitrary decision-making by executive Government and the full panoply of the courts of law.

Its middle-course procedure for deciding who should be allowed to conduct gaming in this country had, until last week, met with the approval of the courts.

But in Rv. Gaming Board for Great Britain, ex parte Fenton and others, the High Court held that the Board had acted unfairly when it failed to disclose to the managers of a gaming club in advance of an oral hearing the matters that had in fact apparently led the Board to revoke certificates of consent.

When Parliament enacted the Gaming Act, 1968, it swept away the old law that had become largely unenforceable, and provided that no gaming at all should take place except in premises licensed for that purpose.

Licences to gaming clubs would still be issued by the local licensing justices, but before any application could be made to them the applicant had to obtain a certificate of consent indicating that he was a fit and proper person to run a gaming club.

The Gaming Board was set up to perform that task. Its first chairman was Sir Stanley Raymond; he was succeeded a couple of years ago by Lord Allen of Abbeydale who, as Sir Philip Allen, was the permanent secretary at the Home Office when the legislation was being prepared and passed through Parliament, and had a kind of proprietorial interest in the operation of this statutory creature.

The Act gave the Board power to regulate its own procedure. Hence the Board laid down an outline procedure that has become well-known since the courts in 1970 reviewed it and gave its blessing. In short, the Board is always prepared to entertain representations by an applicant and will even give an oral hearing at which legal representatives are permitted to address the Board.

In advance of any hearing, the Board indicates by a letter from its secretary what topics it wishes to have dealt with. This provides the applicant with the opportunity of knowing what matters are troubling the Board.

It is well known that the Board receives privately a mass of information about persons in the gaming world, some of it highly confidential and some of it secret — coming from police sources.

The Board's approach to such sensitive material is to say that the source or content of information is confidential, but not the information itself; and the Board feels obliged to withhold disclosure of particulars that would be a breach of confidence inconsistent with its statutory duty and the public interest.

But it will reveal information at the interview as much as it can consistent with those obligations. The rub is that the Board will mention a name or an event at the hearing without any prior notice to which the applicant is expected to respond.

THE WEEK IN THE COURTS

BY JUSTINIAN

He may not have the slightest knowledge of the person or event; or, if he does, he may not have ready to hand the material upon which he can satisfactorily answer the Board's inquiry. And since it may not reveal the motive for its bald inquiry, it is hard for the applicant to know how to deal with the Board's misgivings, whatever they may be.

It is the sense of secretiveness and confidentiality that led the Board in its early days to feel that it was not obliged to give reasons for its decisions, and its practice ever since has been to decline to give reasons.

To do so would involve the Board in a difficult task of ensuring that nothing was revealed that would breach the rule of secrecy or confidentiality.

The earlier court decisions upon the Board's procedures endorsed this approach. All sources could be kept secret. Fairness in procedure demanded only that the Board disclosed all the information.

Last week's decision did two things. First, it said that the information must be revealed in advance, and not simply let out in the course of the hearing. Secondly, it extended the appearance of bias as a ground for upsetting the decisions of tribunals like the Gaming Board.

In the High Court proceedings Lord Allen of Abbeydale had sworn an affidavit to the effect that none of the matters complained about had in any way affected the Board's decision.

The appearance of justice not being done could not be remedied by the assurance from the chairman of the Board saying that the matters alluded to in the course of the hearing had no bearing on the Board's decision.

If the Board will now have to revise its procedure to give full and prior notice of all the matters it wishes to have dealt with by the applicant, it may be driven to thinking again about the giving of reasons.

This latter feature of the Board's procedure is the one that has most irritated those who have failed to convince the Board of their fitness to run a gaming club.

The Europeans have traditionally regarded it as axiomatic that every decision of a court of law or an administrative tribunal should be fully articulated and reasoned.

For once it may be that a decision of an English court in the field of natural justice will stave off some applicants' trips to Strasbourg. If so, we shall either see a drastic change in the workings of the Gaming Board and the like institutions, or there will be more cases being brought to the High Court.

* * *

IT IS BECOMING a commonplace for one person's negligent acts to cut across national boundaries. A manufacturer in Leeds, for example, delivers defective goods in Lyons where a purchaser suffers injury. Or a mining company in France discharges residuary salts into the Rhine, and damages the seed beds of a nursery gardener in Holland. Where does the injured party bring his action for damages?

The problem has never been satisfactorily resolved in England, but it has now come up in an acute form in an action brought by the French and German offices of the Church of Scientology, who are suing Interpol, which has its office in Paris.

Some years ago Scotland Yard prepared a report on the church's activities at its East Grinstead headquarters. The report was sent to Interpol, who circulated it to the police forces of Western Europe. Its contents leaked out. Interpol claimed it is not amenable to the jurisdiction of English courts, since the alleged libellous matter was published only in Germany and France.

Two years ago the European Court of Justice interpreted an article in the 1968 Brussels convention On Jurisdiction and the Enforcement of Judgments In Civil And Commercial Matters, which gave jurisdiction to a court of "the place where the harmful event occurred."

That, said the court, meant both the place where the Act occurred and the place where the damage occurred. Accordingly, where the Act occurred in one EEC country and the damage in another, the injured party had the option of suing in either.

The White Tower shines on uninspiring card

RACING

BY DOMINIC WIGAN

PROVIDED there is no severe overnight frost or further heavy rain, this afternoon's Plumpton fixture—abandoned last year through waterlogging—should see a resumption of racing.

Although the card is far from inspiring, those punters searching out animals with recent form, and soft ground specialists, could well make the afternoon pay.

My idea of the day's best bet is Mrs. Jenny Pitman's luckless Tower Walk gelding, The White Tower. A highly respectable lengths runner-up to Ruby Wine, from whom he received just 1 lb in Wincanton's Fontmell Maga Hurdle on Boxing Day. The White Tower again ran well at Towcester on January 10. There the six-year-old Lambourn gelding kept on gamely after disputing the lead at the penultimate flight in a division of the Longwater Novices Hurdle, but could not quite produce the pace to hold off market rivals, Celtic Ryde, Henry Bishop and Monkswell.

With both Apple Seed and Go Arrowsmith withdrawn at the final declaration stage from his race, the opening division of the Hickstead Novices Hurdle, The White Tower will find few, if any, easier opportunities to open his account over the minor obstacles.

Half an hour after that race another useful, though hitherto unlucky horse, Gale Forecast, can gain her first bracket in the two-mile Albourne Maiden Chase. Mrs. Diane Oughton's Eborneezer mare, out of the frame on her first two appearances this term, was no match for the 3-1 on chance, Tragus, at Fontwell just under a month ago; but in finishing second had Mauritius well beaten in third place.

Sure to be ideally suited by the testing conditions, Gale Forecast is taken to beat the more experienced Minigold, who was tilting at windmills at Kempton last time out when asked to tackle Gaffer, Stopped and Sweet September in the Weighbridge Novices Chase.

PLUMPTON

1.15—Old Smokey*
1.45—Double Gem
2.15—The White Tower***
2.45—Gale Forecast**
3.15—Super Chant
3.45—Trick of the Tail
4.15—Carrigmore

TV/Radio

BBC 1

† Indicates programme in black and white

9.15 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 It's The Wolf. 4.25 Jackanory Writing Competition. 4.35 Playhouse. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Noah and Nelly.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 A Question of Sport.
7.20 The Rockford Files.
8.10 Panorama.
9.00 News.
9.25 Play For Today.
10.40 Tonight—Goodbye Daley Thompson?
11.20 The Sky at Night.
11.40 Weather/Regional News.

All Regions as BBC1 except at the following times:

Scotland—10.00-10.20 am For Schools. 5.55-6.20 pm Reporting Scotland. 11.40 News and weather for Scotland.

Wales—1.45-2.00 pm Pipa Pala. 2.18-2.38 For Schools (Let's Look at Wales). 4.35 Crystal Tipps. 4.40-5.00 Bobol Bach. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.40 News and weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Land 'n' Larder. 11.40 News and weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.30 am Multi-racial Britain.
11.00 Play School.
2.15 pm Let's Go.
2.30 Shakespeare in Perspective.
3.00 That's The Way The Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 Modern Language Teaching.
5.35 News On 2.
5.40 Master Biker.
6.55 The Water Margin.
7.40 Mid-Evening News.
7.50 In the Post.
8.15 Beryl Reid.
9.00 Monty Python's Flying Circus.
9.30 The Body In Question.
10.20 Arena.
10.35 Darts: Embassy World Professional Championship.
11.35 Late News.
11.45 Telé Journal.

LONDON

9.30 am School Programmes. 12.00 The Wotsit from Whizz-Bang. 12.10 pm Stepping Stones. 12.30 The Cedar Tree. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 3.20 Raffles. 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Batman.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Ken Dodd Show.
7.30 Coronation Street.
8.00 Feet First.
8.30 World in Action.
9.00 Danger U.X.B.
10.00 News.
10.30 Eamonn Andrews Show.
11.30 Barnaby Jones.
12.25 am: Close: Xanthi Gardner reads from "The Prophet" by Khalil Gibran.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "The Three Faces of Eve" starring Joanne Woodward. 5.15 University Challenge. 6.00 About Anglia. 10.30 Operation Hand Flint. 11.15 Monday Feature Film: "The Gun." 12.40 am Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 Give Us A Clue. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Our People. 11.30 Barnaby Jones.

BORDER

†1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "A Circle of Children." 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 The Sound of . . . . . Wout Steenhuis. 11.30 Pro-Celebrity Snooker. 12.15 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 2.25 Monday Matinee: "McNaughton's Daughter." 5.15 University Challenge. 6.00 Channel News. 6.10 Spiderman. 10.28 Channel Late News. 10.32 Country Style. 11.00 The Suspense Film: "The Psychopath." 12.25 am Channel Gazette followed by News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 The Electric Theatre Show. 10.30 Reflections. 10.35 Feature Film: "The Charge is Murder." 12.25 am Grampian Late Night Headlines.

GRANADA

1.20 pm Dodo. 2.25 Monday Matinee: "Ginger in the Morning." 5.10 What's New? 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 10.30 Reports Politics. 11.00 Mystery Movie: McCloud.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "Streets of Fear."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 2.00 Hamdden. 2.25-3.20 After Noon Plus. 6.00-6.22 Y Dydd. 8.30-9.00 Y Dewis I Gymru.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

TV—19 n SCOTTISH
1.25 pm News and Road and Weather. 1.30 Survival. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Steve Jones Illustrated. 10.30 Home and School. 11.00 Late Call. 11.05 The Detectives—Columbo.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "McNaughton's Daughter." 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 10.30 Southern News Extra. 10.35 Star Treatment. 11.05 Barnaby Jones. 12.05 am Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 Family. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Lassie. 5.15 University Challenge. 6.00 Northern Life. 11.30 Winners and Losers. 12.00 Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Keep Up With Yoga. 2.55 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.30 Compass. 11.00 Hawaii Five-O. 11.50 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 Monday Matinee: "McNaughton's Daughter," (TV Movie). 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.30 Country Style. 11.00 The Suspence Film: "The Psychopath," starring Patrick Wymark. 12.25 am Faith For Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Monday Matinee: "Salome." 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Pro-Celebrity Snooker. 11.15 Twist in the Tale.

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Andy Pebbles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am: As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 David Allan (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young. 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Len Jackson (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: William Boyce (S). 9.40 Talking About Music (S). 10.10 Now and Then (S). 11.30 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 West Riding Cathedrals Festival 1978: Organ recital (S). 2.35 Matinee Musicale (S). 3.35 New Records of music by Debussy, Elgar (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home (S). 7.30 EBU International String Quartet Series: Concert, part 1: Shostakovich, Stravinsky (S). 8.25 Misunderstanding Jung. 8.45 EBU Concert, part 2: Schubert (S). 9.30 A Bicycle Built for Two (story by Nigel Dennis). 10.10 Mozart and Mahler concert, part 1 (S). 10.30 Interval Reading. 10.35 Concert, part 2. 11.25 Jazz in Britain (S). 11.55 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today. Magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 John Ebdon with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Countryside in Winter. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Quote ... Unquote (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Lord Peter Wimsey. 7.00 News. 7.05 The Archers. 7.20 "Moby Dick" by Herman Melville: radio version with music (S). 9.15 Musical Journeys in Indonesia. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Perspective. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

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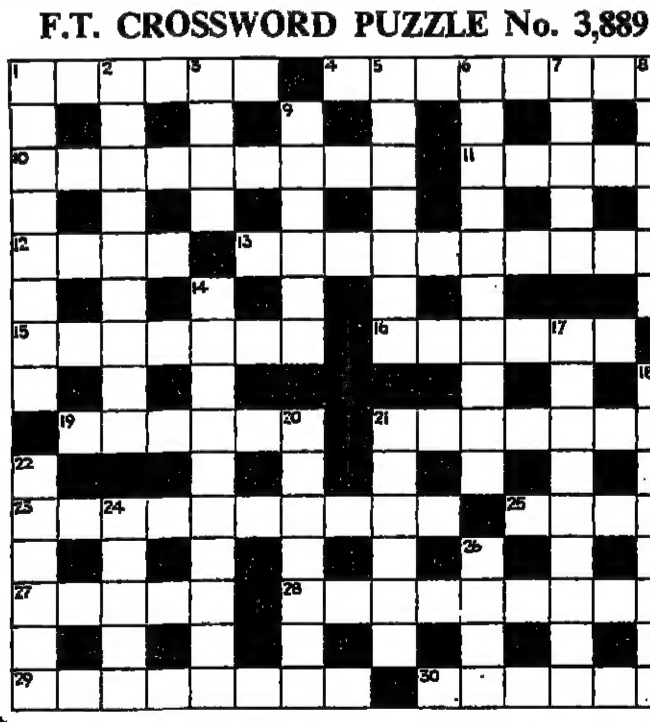

ACROSS

1 Wear kid (4, 2)
4 Brave effort at military two-step (3, 5)
10 Play the fool with bird somewhere near (4, 5)
11 Keep quiet — one short measure to move (5)
12 Foreign money passed by the irresponsible (4)
13 King joins girl novelist (5, 5)
15 Idiot chap had dressed (7)
16 Back in a jiffy (6)
19 Like bird to be behind (6)
21 Busy workers increase polish (7)
23 Plucky retainer at Highbury in charge of wild life (10)
25 Prejudice relied on by bowler (4)
27 Nobody excluded from wrestling (3, 2)
28 A row in battle station (5, 4)
29 Bird making the rest loth to change (8)
30 Odds one obtained for Peg (6)

DOWN

1 Hesitate to detain footballer in custody (4, 4)
2 Honest girl Conservative promises to pay (9)
3 Nothing right a student has spoken (4)
5 She plays part of Bill Lock (7)
6 Entertainer with record turnover (4, 6)
7 Turbulent number is shown before end of July (5)
8 Each could make it here (6)
9 Party sailor'd give for old person (6)
14 Wise men recognise good poker hand (5, 5)
17 Parking prohibited as a rule in self-service canteen (2, 7)
18 Actual way out machine-gun included (8)
20 Money is indispensable (7)
21 Railways turn up short letter from Frenchman (6)
22 Horrified at gash with jagged look (6)
24 Runner between ten and eleven stones by the way (5)
26 Check period (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

THE ARTS

Young Vic

Look Back in Anger

by MICHAEL COVENEY

If the initial impact of John Osborne's raw, vicious and impetuous play had to do with the sound of a spiritedly loud-mouthed young generation on the British stage, time has done nothing to reduce its unmistakeable voice of truth, despair and contempt. Jimmy and Alison Porter have lived in this one room for four years while running a sweet stall. There is nothing in the Sunday papers that corresponds to their lives and Jimmy will relieve the monotony of cups of tea and the weekend ritual of wading masochistically through pages of hostile print only by going along the corridor to blow his trumpet "as though he wanted to kill someone."

I last saw the play several years ago at this same theatre, playing in repertory with another early Osborne piece, *Epitaph For George Dillon*. That is a softer, more coherent and perhaps more satisfactory play. But John Labanowski's admirable performance as Jimmy reminds us of his complexity. Although Jimmy may exist only in the full flow of his frenzy, he is not merely a talking head. He is fashioned by hostility to all around him, a lost character rather like an abrasive version of H. G. Well's Kipps, intensely loyal to his background and memories. This is the essence of his appeal: even as he hurls misogynous abuse at the unfortunate Alison, he will change gear to remember his dying father as if to reassert his emotional credentials.

If Jimmy's theory of what is valuable in experience is wrong, he is fundamentally right to stick to his guns. Alison, Cliff and the actress Helena all get caught in the crossfire, but is the treatment meted out to them more or less noble than Jimmy's impetuous departure to the bedside of the dying woman who set him up in business? He despises Alison for going to church instead of accompanying him, but is reunited at the end when she returns, as haggard and buffeted as Nina at the end of *The Seagull*. She has won her spurs by losing her baby and rolling around in the mud for a while.

It is a great young man's play and can still appeal to another young generation, such as at the Young Vic, even if its period resonance is now more like period charm for them. Apart from Mr. Labanowski, there is a good Cliff from Christopher Ashley, but the rest of Mel Smith's production is weakly cast. Susan Wooldridge's Alison is feeble to the point of extinction, and Ian Taylor as her father hardly lives up to the description of him as a sturdy relic of Imperialism—he is a couple of rungs low on the class ladder. From February 12 to March 31, the show will tour England and Wales.

Festival Hall

Elgar

by NICHOLAS KENYON

The prospect of Thursday's juxtaposition of Elgar's First Symphony (1908) with his Cello Concerto (1919) in the Philharmonia's fine Elgar Festival sent me back to an article which Donald Mitchell wrote on the centenary of Elgar's birth, in 1957. How to explain the complete contrast—*within* Elgar's immediately identifiable musical language—of content, mood and aspiration between these two works? Both pieces are unquestionably great; but while the Cello Concerto is a more lucid, concise statement, the earlier Symphony promises so much—the breadth of its vision is so wide, its emotional penetration so sharp—that the narrowing of scope in the later work comes as a shock. Without any loss of quality in his music, Elgar's horizons became restricted.

Donald Mitchell's suggestion was that Elgar suffered increasingly from self-imposed restriction which "*did not mean that he felt less deeply, but rather that the range of his feelings was inhibited: he did not plunge into those new regions of feelings that might have forced his style to widen its scope . . . had he permitted his tensions to rise to the surface, he might well have responded with some out-of-character music that would have crossed the threshold of the new century in the style, not chronology alone.*" Was Elgar a neurotic conservative?

On Thursday Paul Tortelier did his best to persuade us of the positive qualities of the Cello Concerto—his intense, nervy playing alerted us to every moment of passing flavour. Yet the approach seemed fundamentally misconceived: without weary despair, without utter uncertainty as to the direction of the music (and Tortelier's playing was always pushing forward with conviction) the Concerto misfires. His was inspiring playing in the wrong context.

The Philharmonia, disappointing in the *Froissart* Overture (except for the chilling horn solo over tremolando strings in the coda), sounded ragged too often during the evening. Andrew Davis drew the maximum warmth from the strings in the Concerto, but in the opening movements of the First Symphony a wild abandon of gesture produced blaring brass which doused the orchestra with unsubtle noise. I feared it was to be an account which failed to match either Barbirolli's open-hearted humanity or Solti's electrically-charged insistence; but then, in the Adagio the brass was still, the strings could be heard, and Davis paced the passion of the intertwining melodies to perfection.

The finale's groaning beginning, its furious course and nightmarish close (with its triumphalist drawing of the curtains across a scene too horrific to contemplate) were unified with a compelling violence. Once again, the all-too-real background to Elgar's *nobilemente* caricature had been revealed.

'Beowulf' at the Cottesloe

Puppet Theatre '79, an international festival, is presenting at the National Theatre a production of *Beowulf*, a large scale theatre piece involving actors, puppets, masks, music and words. It is to be staged in the Cottesloe Theatre, the NT's small auditorium, from Tuesday, March 20; for eight performances.

Adapted from the Anglo-Saxon epic poem, it tells of Beowulf's three great battles against warring monsters. It is devised and directed by Christopher Leith who also designed the masks and puppets. The verse text is by Lawrence Butler.

Dawn Archibald (foreground) and the People Show

Chapter Arts Centre, Cardiff

People Show No. 78 by MICHAEL COVENEY

Looking for narrative threads as an aid to critical assessment is often a dangerous game to play, not least when the work under consideration is that of the People Show. The troupe dates from the mid '60s and the work remains as fresh, challenging and entertaining as ever it was. This is indeed the 78th show and one specially prepared for the Chapter Centre, in the same way as such progressive Amsterdam venues as the Mickery have encouraged Mark Long and his merry band to work for some years now.

As usual, it is tailored to the talents of the company. One of the most recent People Show recruits is a pencil-thin acrobat, Dawn Archibald, and much of the scenario is centred around her. Moving all over the Centre, the first scene is outside, where Dawn is winched from a tall wooden structure to the walls of the building, while musicians play brass instruments in that mournful, jazzy style that seems to have become a characteristic of not only the People Show, but also of comparable Dutch groups. There are torches, red flags, strange men in black suits and white masks.

Beckoned inside, we could scarcely encounter a more contrasting picture than we find in a small room, lit with a Rembrandt glow. A girl with a baby ignores the complaints of a testy, nude husband about her having invited "these creeps." Us, presumably. The strange men arrive bearing Dawn wrapped in red. Dawn rising? I am not going to guess at what all this is supposed to mean, and nor is the audience as they do not even know that the girl is called Dawn (there are no programmes).

Next, we pass a cough-ridden cigarette salesman with his table of burnt-out stubs. "Only earning a living," he establishes that we are now in a public place, and, around the corner, the audience files up against a wall. To be shot? In my case, almost. As Dawn and her suddenly acquired Tarzan walk slowly up to be joined in marriage, a careless actor splintered a celebratory wine glass under my nose and drew blood from my knuckles.

If it had not been my knuckles, I would have punched him on the nose but, undaunted, I progressed with the rest to a nightclub studio, where the action takes on the feel of a thriller movie, words prerecorded and played back "out of synch." Dawn and Tarzan take a table near the band (cardboard saxophones) while Mark Long, a detective/writer (shades of Dashiel Hammett) asks for one as far away from the band as possible. Tarzan is lured upstairs by a seductive dancer and is shot through the backside by the Rembrandt mother, who is now watching sport on TV.

The show's central section is in the largest studio, where we file in to sit down for dinner: a piece of bread, stuffed leak and rice (all this, and a glass of wine included in the £1.80 ticket price). After the meal, the company arrives on the top table, Dawn emerges from a large cake and her birthday is toasted. The company forms a pyramid, led by the two comic *waiters, and sings* "*Some of these days.*" She swings on the trapeze. After a strange saxophone interlude in another corridor, we enter another studio where Tarzan lies in a pool of blood on a white circle and Mr. Long, trying to finish his play, quizzes Dawn for more information.

The trouble with this description, If I may now try to excuse it, is that it makes the whole business sound like a load of inconsequential rubbish. This would be to *ignore* the breathtaking technical fluidity of the presentation and the sheer sensual effect it achieves. Nobody left, nobody asked for a refund and everyone stumbled into the club bar feeling thoroughly elated. As I have said before, there is no true critical language developed for this kind of work and a critic's task is therefore thankless. But, believe me, I had a ball.

Covent Garden

The Sleeping Beauty by CLEMENT CRISP

There can be few more terrifying prospects for a young dancer than a first appearance as Princess Aurora. *The Sleeping Beauty* is the supreme challenge in an art to which the débutante has devoted herself. If the interpretation of the central role fails, the whole pice fails—no matter how well the supporting company rallies round the heroine. Within a couple of minutes of entering the stage, the apprentice ballerina must launch herself into the Rose Adagio, one of the most demanding passages in the whole 19th century repertory. Which said, let me salute Rosalyn Whitten who took the stage for her first Aurora on Saturday afternoon like a trouper. And salute the teachers who prepared her so well for a test through which she came with colours flying.

Whitten gave a performance of charming assurance. She is a young dancer seen hitherto in soloist roles; to Aurora she brings a sweet technical fluency—an even dynamic tone throughout; a pretty style—and all the appeal of youth. Very attractive the feeling of *ballon* in he soar*ing entry in act one just before* Carabosse presents the spindle: most touching her sinecrity and unforced lyricism in the interpolated Ashton awakening pas de deux.

It is for interpretations of this kind that Saturday matinées were invented. (And in what I tend to think of as better days, it was to prepare young arists to scale these great peaks of the repertoire that the Touring Company matched some of the Opera House programming.) One of the merits of the Royal Ballet is its ability to produce young dancers having the stamina, the intellectual and pyhsical understanding, to sustain a full-length ballet. Rosalyn Whitten is proof of this: the stature of her performance lay not in having simply gone through the motions of the role, but is having already made something true and personal of her first attempt—the portrait of a tender, well-bred and dignified heroine.

She had the inestimable benefit of Stephen Jefferies as her Florimund. A sure partner, he also provided most sensitive dramatic rapport. I do not recall the Vision scene more cogently acted: for once the Aurora did seem a ghost and not merely the ballerina making her statutory appearance in Act 2.

One other interpretation must be praised: Alfreda Thorogood as Carabosse. With huge eyes, spidery hands, and utter authority, Thorogood gave what is, for me, the best reading of the role in many years. She justifies the casting of a woman in the part, bringing to it an insinuating malice, a smiling malevolence which suddenly breaks out into vicious kicks at her minions and poor Catalabutte, and the dismissive gestures of an autocrat. Tremendous. Perfect.

Perhaps it was over-eagerness to support Rosalyn Whitten that accounted for the imprecise dancing by the company. Untidy nymphs in the vision scene, lack of unanimity of line in attitude among the Fairies, another cascade of optimistic *double tours* from their cavaliers, were all symptoms of a slack performance. The presence of Deirdre Evden in the Florestan trio was, though, a joy: there is gold—pure, true, rare—in her dancing.

Arts news in brief . . .

English National Opera North (ENON) announces that Leeds City Council has offered strong financial support for the next municipal year.

The controlling Tory group on the council has agreed to give the opera company £200,000 for its first full 1979/80 season. Backing for the Leeds-based *opera company has also been* promised from both North Yorkshire and South Yorkshire County Councils. North Yorkshire finance sub-committee has recommended a grant of £25,000 and South Yorkshire has promised to give financial support in relation to the number of performances in the area.

Following this demonstration of local support for ENON the Arts Council has confirmed its *promise for a grant next year*, so ensuring the future of the new company.

*

The 1978 BFI Award for "the *maker of the most original and* imaginative film introduced at the National Film Theatre in the past year" goes to Mark Rappaport for his film *The Scenic Route* which was shown at the 22nd London Film Festival.

The BFI "Special Award" for 1978 goes to Michael Powell and Emeric Pressburger "for the outstanding achievements of their film careers as seen in the *NFT retrospective of their films* and especially the restored print of *The Life and Death of Colonel Blimp*." The print was restored by the National Film Archive.

*

D'Oyly Carte Opera Company has appointed a new musical director, Fraser Goulding (31), from the Guildhall School of Music and Drama.

Newcastle Playhouse

Julius Caesar

by B. A. YOUNG

Bill Alexander was the winner of last year's Hugh Beaumont Award as the best director in the Fringe. He is also one of the Royal Shakespeare Company's team of young directors whom we never see in Shakespeare. So it is especially interesting to find out what he has made of *Julius Caesar* for the Tynewear Theatre Company.

In spite of his exposure to the political atmosphere of the Warehouse, he has not lfalen into the trap of equating Caesar's Rome with Mussolini's. This tempting analogy has never proved more than visually apt. A truer analogy, if we must have one, is with the English Civil War (and while I am passing that landmark, let me correct a former inaccuracy and give proper credit to Sebastian Graham-Jones for *directing The Putney Debates*). Mr. Alexander does not use this analogy, either, though it might be suggested by the truly kingly playing of Bill Pearson as *Charles-Caesar*, *and the coldly* political persona of Eamon Boland's Cromwell-Brutus.

Neither Italians, English, nor Romans are suggested by Jonathan Porter's designs. His set is rectilinear and blood-red and the costumes are uniforms of grey wool — plain shirts with wide sleeves, breeches over high boots, sleeveless jerkins. Their science-fiction look is emphasised by the heavy blue glasses worn by the common people.

This democratic uniformity in the characters requires the company to distinguish themselves sharply in their acting, and that they hardly do. More class-distinction is needed. Socially there is no gap between Mr. Boland's Brutus and Lucius, his slave. *This is not a Brutus* I should follow, anyway, with his shifty way of gazing at the stage a yard in front of his right foot when he ought to be looking you in the eyes. Caesar, as I said, has authority and dignity; and Toby Salaman's Cassius, a kind of Roman Goebbels, has a genuine drive.

Anton Lesser's Antony is a disappointment after his lively Richard for the RSC. He is lively as Antony, too—until he comes to the great speeches. Then he *subsides into a dull* delivery where every phrase comes to a full close on the same note, like a provincial mayor reading a speech written *for him by a literary friend*.

From the rest there are occasional good moments. I liked Paul Bentley's camp Casca—Casca Wilde, perhaps—and some snatches from Malcolm Ranson as Young Cato, John Dallimore as Cinna, the Poet. Both the girls, Helena Breck and Eva Lohman, are good, but this isn't a play for the girls.

We know what wonders Mr. Alexander can do with boys straight from drama school, and this failure to extract personalities is hard to account for. Perhaps it is deliberate, matching his ruthless simplification of the action, so much refined in the last act that you can barely believe that the Battle of Philippi *happens at all. (Dreadfuly* slow here, too the stage seems empty as often as occupied.) Frankly, it does not work. A key moment of Roman *history, and a master*piece of Elizabethan drama, must be made a little more exciting than a confrontation between Mr. Callaghan and Mr. Moss Evans.

Theatre Upstairs

On Top by B. A. YOUNG

Perching timorously in the thick undergrowth of Liane Aukin's writing, there is a feasible dramatic idea. Cissie, having known a lover and a husband *without establishing a* family, lives withdrawn in an unfurnished flat. She is visited there by a little boy, son of one of the neighbours, and begins a *maternal affection for him. His* father is arrested for some political offence, and the boy disappears.

We are told about this in retrospect, as we are told almost everything. Cissie and her former lover Mickey converse in lengths of narrative and descriptive prose, though all they have to say is that they once were in love and now wish only to retire from the world. All the same, they have a final night together on Cissie's mattress. Their unremarkable relationship is treated as the main theme of the play.

Ms Aukin plays a couple of modest dramatic tricks on us. One comes when Cissie drops into her conversation occasional references to someone called Andrew, whom Mickey takes to be a new lover. Andrew turns *out to be the little boy. This is* characteristic of the way in which basic information is deliberately withheld. The other trick, more obviously fraudulent, *comes near the end*. Cissie has gone out shopping and Mickey hears a young boy's voice on the stairs. But it is only the grocer's delivery boy, bringing an order *that* Cissie has just placed in the shop although she is on the point of leaving, and indeed does leave almost at once, leaving the groceries behind.

A plain-clothes policeman turns up now and again, first to question cissie about the missing boy, later to tell her that he has been found drowned. His conduct is as unorthodox as that of those weird coppers in *The Sweeney* and *Strangers* and so on, but not so exciting. Ultimately he offers to drive Cissie away to her next destination. Does she want to take anything? "There's nothing," says Cissie, thus pronouncing an epitaph on the play.

Ann Pennington is the director, and the playing, more than adequate for a production with decor, is by Brian Cox, Christine Hargreaves, Sean Scanlan and Steve Fletcher.

Popular opera at the Riverside Studios

Peter Knapp's newly formed opera group—The Singers Company—will perform at the Riverside Studios with the New London Chamber Group (conductor Stephen Barlow), a new production of Offenbach's *La Perichole* on February 14 and 17 *at 7.30 p.m. and revive* Mozart's *Cosi fan tutte* (seen at Riverside last year) on February 16 and 18 also at 7.30 p.m.

Both operas will be produced by Peter Knapp and among the casts will be Eirian James, Dennis O'Neill, Alan Watts, Rosalind Plowright and Thomas Lawlor.

The Singers Company, formed last year by singer Peter Knapp, aims to bring opera to a wider public and to help young singers establish themselves during the difficult years following full time training.

The group will also be appearing at the Arts Centre Horsham on March 6 with *La Pericholc*, and the Crucible Theatre Sheffield with both *Cosi* and *La Perichole* in April.

SOCCER BY TREVOR BAILEY

A new dimension in the League

THE SELECTION of Watford's goal-scoring discovery, Luther Blissett for the England Under-21 squad, and the inclusion of Laurie Cunningham, of West Bromwich Albion, in the senior squad are simply two further examples of the increasing number of quality black footballers in English League football.

West Bromwich, one of the best, and most entertaining teams in the First Division, owe much to their graceful, heavyweight striker, Cyrille Regis, who harmonises so well with the darting and elusive Cunningham, while at right back Brendan Batson is sound and efficient.

It could be said that this talented coloured threesome bring an additional dimension to the Albion team, because of certain natural gifts which they possess and few white players have, like Cunningham's extra suppleness and the remarkably dainty footwork of the powerfully built Regis.

Other black players in the First Division include full back Viv Anderson at Nottingham Forest, who is surely destined for an important role in Ron Greenwood's future plans. Long-legged, he moves very fast over the ground without appearing to do so, has the ability to dribble past opposing defenders, crosses with accuracy and knows how to score goals with both his head and his feet.

In the Second Division, Garth Crooks is a genuine goal-scoring winger with Stoke, Pedro Richards a stylish defender for Bristol Rovers and, though the diminutive Crystal Palace teenager, Vince Hilaire, has currently lost confidence, his potential is enormous.

Nobody should be surprised by the impact that coloured players are making in top class football. After all, their men and women already dominate the athletic scene, while Vivian Richards is recognised as the finest batsman in the country, Gordon Greenidge the most effective opener, Wayne Daniel the most destructive fast bowler and others are key figures in most county sides. The real surprise is that their breakthrough should have taken so long.

One reason for the delay was an extraordinary myth about coloured footballers, which I first encountered at least 15 years ago. I asked the chief coach, a former international, of what was probably the strongest club in the country (and in an area with a considerable immigrant community), why he had no coloured lads on his staff? He said that, though they were naturally talented ball players, they lacked the character needed for a physical contact sport.

That did not make sense to me. I had seen Everton Weekes and Gary Sobers hooking very fast bowling, which is considerably more dangerous than being tackled at football, while the majority of fighters, and boxing is not exactly a gentle sport, were black. However, this belief persisted, especially since ball players as a breed, irrespective of ethnic background are inclined to be more delicate than the less talented, 90-minute runners, and the proportion of coloured people able to play any moving ball game well is very high.

There are several reasons why black players, apart from their natural athleticism and ball sense, are emerging as a major force in English League football. First, there is the increase in the size of the coloured immigrant population since the war. Then, the majority of those now forcing their way to the top have been brought up in this country, where for eight months of the year soccer is the most popular team game. If they had been raised in the West Indies, they would have been more likely to concentrate on cricket.

Another big attraction of professional football, in addition to the enjoyment it should give the player, is the very high wages that can be earned at an early age.

One advantage that the black footballer enjoys in Britain it that, like a striking blonde, he will stand out from the rest of the team, so that the Press and selectors instantly recognise him.

That also means that he will frequently find himself being barracked away from home on account of his skin, something he must learn to ignore if he is to make the grade. Abuse may act as an additional spur

RUGBY UNION BY PETER ROBBINS

England-of-old squander chances

THE CENTENARY Calcutta Cup match between England and Scotland at Twickenham on Saturday began with a brilliant try by Slemen scored before many spectators had settled into their seats.

But after such an encouraging start, it was again the England of old—winning a welter of good possession and squandering chances with galling regularity. The match was drawn 7-7.

Both England and Scotland are now out of the Triple Crown contest and only Wales, who beat Ireland in Cardiff by 24-21, can win the coveted accolade.

England, for all their faults, could justify several selections. Gary Pearce, an inexperienced 22-year-old at tight-head, coped well with the wily Ian McLauchlan.

Tony Neary, recalled at flank, had a storming game, and Alastair Hignell, at full-back, showed all his skills and courage.

It was Hignell's clever intrusion into the line following a half-break by Bond that gave Slemen the space for his try. When Bennett kicked a penalty *after 15 minutes, England sup*porters could have been forgiven for thinking that their team was home with plenty to spare in terms of points.

Scotland were kept in touch in the first-half thanks to some sinuous running and defensive kicking from Lawson and Rutherford.

As the game progressed Scotland's posture became purely defensive.

How did England fail to take their chances and why? First, Bennett missed a couple of kicks down wind and two more in the second-hald. As Fenwick and Ward showed at Cardiff successful kickers radically alter not just the scores but the pressures of international rugby.

England's lack of control of the ball in the set scrum was perhaps the most critical factor in their inability to make chances into scores.

When they enjoyed a particularly sustained period of pressure *just on* half-time there were a series of catastrophies which deprived them of many points.

As if those mistakes were not enough, at the end of the game *Uttley lost control of the* ball when the England scrum was over the Scottish line.

This sort of mischance is extensive and the misses showed that *Uttley, for all his vigour* and good general play did not, on the day, display either judgment or good technique in his use of the ball at the scrum. This had repercussions for the whole team particularly for his scrum-half, Young.

England's pack showed something like its expected form and the decision to make Neary England's man of the match came as no surprise. His line-out work was excellent and Beaumont was constantly galloping round to take his tap-down to set up one of the most productive areas of England's play—the ruck.

Beaumont had a well-regulated game, whereas Horton fell away after an impressively busy first-half.

There were two aspects of *England's forward play that* were not very impressive—one was the way Scotland wheeled their scrum and the other was the wing-forward support in attack. It may be of course that *Neary and Rafter are required* to play a tighter game than either of them really care for: That is fine provided it is not at the expense of their support *which is desperately needed by* this rather poor set of England backs. Both Neary and Rafter play with total commitment—but at this particular cost.

Not that it excuses England's deplorable centre play — and it was deplorable because the running and the passing was so slow. Dodge cut inside early on, stuttering along until he ran out of space, but he seems not to have progressed since last year.

Bond was even slower and passed up a golden chance in the closing minutes when he went back inside instead of getting the ball to Squires.

This indecision and wrong choice of options originated with Young who paused to find out where Bennett was standing before passing.

Such disharmony was a severe blow to any England three-quarter aspiration. Slemen saw and used plenty of the ball but Squires was again neglected.

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Monday February 5 1979

Tinkering doesn't help

ON THE face of it, the farm price proposals put forward last week by the European Commission seem to be a judicious compromise between the competing (and conflicting) demands of the nine member states. The French have insisted, as a precondition for the launching of the European Monetary System, that artificial exchange rates (the notorious "green" currencies) should be phased out of the common agricultural policy: the Commission has proposed a four-year phasing-out period, with two years' grace for the Germans, whose farmers would suffer from a cut in their Deutsche Mark receipts. The British want a freeze of the phantom "common" prices, but not an elimination of "green" currencies: the Commission has proposed a freeze, but sweetened the proposal to phase out the "green" currencies by higher consumer subsidies for butter.

Middle ground

In the past, this kind of package deal, which offers something to everybody, has often formed the starting point for an eventual agreement. The negotiations have tended to be protracted, nocturnal and acrimonious, and the Commission has frequently had to modify its proposals during the course of the annual wrangle between the Community Farm Ministers. But more often than not, the Commission's proposals have been a reasonable stab at finding the middle ground.

This time round, however, the Commision is in a much more difficult situation, because it is trying to solve two quite different problems simultaneously—problems, moreover, whose solutions are to a large extent contradictory. On the one hand, it wishes to minimise the incentives for adding to the existing over-production in agriculture, by freezing the "common" prices; on the other, it wishes to clear the decks for the European Monetary System by raising the effective prices paid to farmers in weak-currency countries like Britain, Italy and France.

The trouble with this line of thinking is that it rests on the assumption that the member states are prepared to live with the risks of genuinely common prices, when all the experience of the past decade shows that they are not prepared to do so. It rests on the further assumption that the elimination of the "green" exchange rates, and of the corresponding Monetary Compensatory Amounts (MCAs), will facilitate the launch of the European Monetary System, just because the French government says so; whereas it is likely, rather, to create an extra obstacle. On both these grounds, it is arguable that the time has come for the Commission and the member states to stop tinkering with the ramshackle absurdities of the common agricultural policy, and instead start asking some much more radical questions about the whole system.

Genuinely common prices mean that countries with depreciating currencies must accept a corresponding increase in the prices paid to their own farmers, thus adding to domestic inflation; while countries with appreciating currencies must accept a reduction in farmers' incomes, which creates a political problem. MCAs were invented because neither group was prepared to accept these risks, and there is no reason to suppose they have changed their mind.

If the European Monetary System does get off the ground, and if it helps to bring about an underlying stabilisation of intra-European exchange rates, the risks attached to common farm prices will diminish, and perhaps disappear. In the early stages, however, it is clear that there may well have to be periodic realignments of the central rates, especially, perhaps, in the case of the German mark. A commitment to eliminate MCAs may well make the Germans more reluctant to go ahead with the EMS.

Much too high

The fact is that the Community does not have a common price system, and that the member states do not yet want a common price system. No useful purpose is served by pretending the contrary. What they have is a policy which satisfies none of the Community's consumers, and not many of its farmers, and is a scandalous drain on the Community budget. It is probably too much to hope that the heads of government will next month make any attempt at a fundamental reform of the policy. But it would help to clear the air if they would frankly recognise that farm prices are in practice fixed in national currencies, that in many cases they are much too high, and that they must be brought down.

Breaking rules for State aid

THE PUBLIC Accounts Committee has become increasingly critical of the administration of government spending programmes in recent years as it comes across more and more examples of weak financial control. Yet each year brings a new, and invariably larger, crop of examples of money having been wasted. An appearance before this House of Commons committee is said to be an experience civil servants fear most and, unless it comes too late (as is often the case), it usually results in the particular mistakes that brought them there being put right. But it is difficult to believe that the wider lessons are being as readily learnt, for similar errors recur with depressing regularity.

The latest batch of reports from the Comptroller and Auditor General, which will be the subject of PAC hearings this year, are a good case in point. They cover a wide range of departments and spending programmes but two items that particularly stand out relate to the administration of industrial aid programmes, the intervention fund for shipbuilding and the interest relief grant for suppliers of equipment and services for UK offshore oil and gas fields. In both instances, government departments are found to have failed to observe the rules they had themselves drawn up.

Assurance

In the case of the intervention fund, the Department of Industry failed to make offers of assistance to British Shipbuilders conditional upon any re-structuring of the industry, a point upon which the PAC laid particular stress on the three previous occasions it has reviewed the operation of shipbuilding aid programmes—and one which had also been the subject of a firm Ministerial assurance when the fund was established two years ago. The department had in addition failed to obtain realistic cost estimates before offering assistance as its own guidelines required. In its defence the department argued that shipbuilding orders were urgently needed while the newly-nationalised industry was still building up its organisation and before it could prepare a corporate plan upon which restructuring could be based.

In the case of the offshore supplies grant there was no such excuse, although some of the infractions of the Treasury-approved rules could be regarded as breaching the letter rather than the spirit of the guidelines. However, more than a tenth of the amount paid in grant by last summer had been made outside their terms. Only a tiny part of this would be recovered; and the Department of Energy has estimated that an even larger sum will still have to be paid as a result of these incorrect—but nonetheless binding—commitments.

Limited

The cavalier attitude to carefully devised procedures evident in these examples is not simply bad administration. It is, alas, characteristic of the present Government's over-enthusiastic approach to the use of industrial subsidies. There can be a case for granting assistance to soften the social consequences in industries facing decline and to help stimulate new developments. But the aid needs to be strictly limited in amount and in time to what is necessary to bring about the required adaptation. Otherwise, it will merely serve to delay changes which are unavoidable and lead to the displacement of jobs in firms that are not favoured by the grant of public funds.

Both the shipbuilding intervention fund and the offshore supplies scheme have been criticised by the European Commission on this score. Britain is certainly not the only country to be heavily subsidising its shipyards, but the Government has itself alone to blame for having chosen to take on full financial responsibility for both efficient and inefficient yards. As for the offshore supplies scheme, the original case for providing assistance has lost force with the passing of time.

What is most worrying is that neither the Commission in Brussels nor the PAC, nor anyone else seems able to persuade the Government to adopt a sensible approach to subsidies when matters which Ministers regard as high policy are at stake.

THE INDUSTRIAL STRATEGY

By JOHN ELLIOTT, Industrial Editor

Flaws of Labour's brainchild

A YEAR ago Ministers were anxiously trying to devise some way of breathing new life into one of their major policies so that the public would realise that the Government had a coherent and positive approach to the country's industrial problems. Yet the industrial strategy, since it was born three years ago, has shown little sign of leading to strategic decisions and has certainly not captured the imagination of the country at large.

On Wednesday the Prime Minister, surrounded by other members of his Government and by industrialists and union leaders, will celebrate the third birthday of the strategy at a meeting of the National Economic Development Council.

Last year the Ministers did not come up with any very dramatic device to reinvigorate the exercise apart from promising £250,000 for publicity purposes. Now it seems as if they have accepted that there is little point in trying to sell the doctrine in any general way as a short-term answer to Britain's problems.

This is hardly surprising because the strategy has not really touched the country's major problem industries such as steel, shipbuilding, and motors, and it has not even produced any major effects on the 40 per cent of manufacturing industry in areas like engineering and textiles that it does cover through tripartite sector working parties based on the National Economic Development Office. In any case the present state of unrest in industry scarcely provides the right backcloth for a major propaganda exercise.

Nevertheless the industrial strategy exercise has undoubtedly helped to improve relationship between the Government, companies and unions in some sectors of industry. It has brought industrial manufacturers and customers closer together and has helped to identify the issues that have hindered the modernisation of British industry over the past few decades.

But these generally small and localised achievements are a far cry from the aims that were trumpeted by the Government in November 1975 when the strategy was launched at a tripartite conference at Chequers. Some of the original aims, such as reorienting Government policies and State aid to help modernise industry, have had some success; Government Departments have had to re-examine their priorities and various sectors of industry have benefited from selective financial assistance. Other aims such as new manpower policies to provide skilled workers to key industries have made less progress, while hopes for positive tripartite industrial planning have usually fallen foul of companies' reluctance to let the Government and trade unions have much of a say in how they conduct their affairs. Even the State-owned National Enterprise Board has been loth to reveal its own entrepreneurial plans to the working parties.

The exercise was over-sold by the Government in 1975, and this is accepted now by both Ministers and Mr. Geoffrey Chandler, the new NEDO director general. It was also given the wrong title—with the result that sceptics now can quite justifiably say "What industrial strategy?" Few people apart from those directly involved in the Treasury and Industry Department, the NEDO headquarters, and 1,000 people who sit on the sector working parties, take the exercise very seriously—and some of the participants from companies resent the cost of the management time involved. To those outside this select group, the industrial strategy and its 40 sector working parties is either a gigantic "talking shop" or is a dangerous first step towards the corporate state.

The base on which the exercise operates is the regular meetings of the sector working parties which bring together some (but inevitably not all) companies in an industry together with union officials, the relevant civil servant from the Department of Industry, and a NEDO staff member. They produce annual reports on how they can improve the industry's efficiency and international competitiveness.

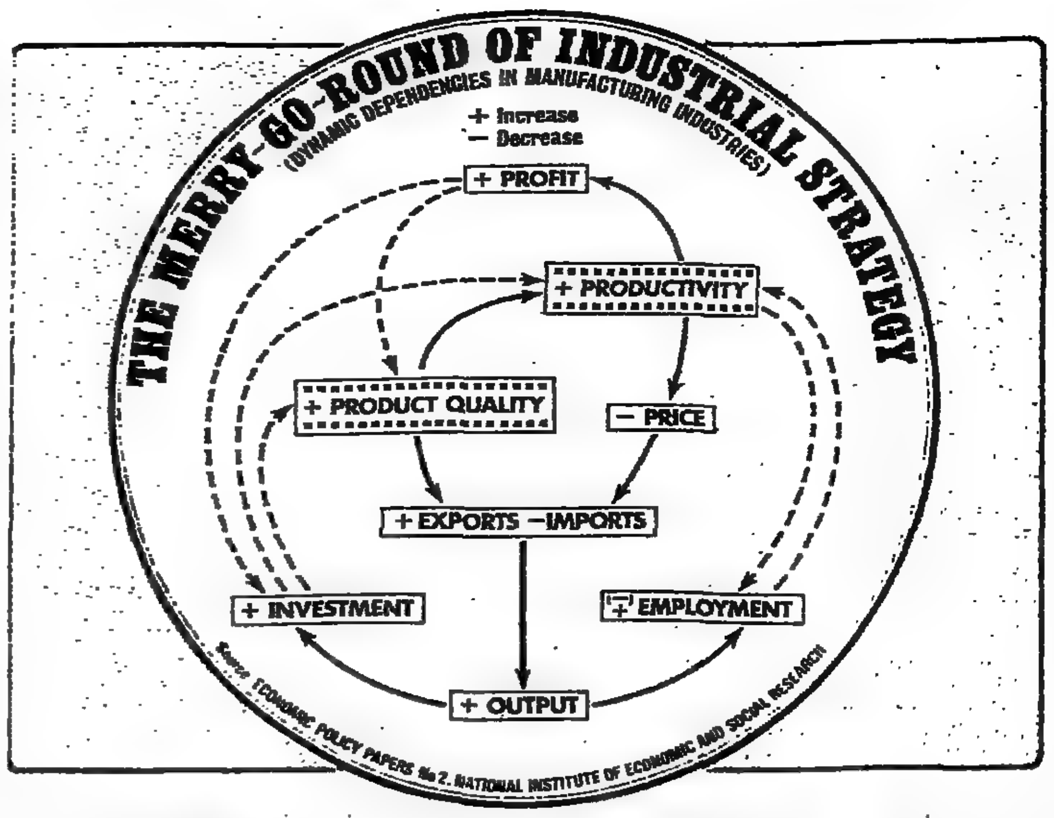
The problem is how to turn the reports' ideas into action. A year ago part of the record on this was quite impressive because most of the working parties' ideas had been aimed at the Government, calling for a wide range of help, from taxation cuts and selective industrial aid schemes to a more constructive approach to industrial planning applications by local councils, and more help from the Export Credits Guarantee Department. Many of these ideas were taken up by the Government, especially on the application of industrial aid.

Conservatism of banks

This year there have been fewer such requests although there have been the usual calls for a stable economic and industrial climate. There have also been further export credit suggestions plus about 20 or 30 ideas for the Budget, including taxation cuts and simplification of Value Added Tax. Working parties' ideas for making the Customs and Excise statistics more useful for industry have also been acted on.

Some reports covering high technology areas have been critical of the clearing banks' conservatism when receiving requests for finance, and have encouraged the Government to push ahead with a state-backed guarantee system for clearing bank loans.

But while there has been some success in generating action by the Government, it has proved far more difficult to convert the working parties' ideas into action by individual companies. A year ago this was being talked about as "getting the message down to the shop floor." This rather vague notion has now been refined, and the aim of the Government and the working parties is to make sure that the decision makers in companies—ranging from senior executives through middle management to shop stewards, plus outside union officials—are aware of what the working parties think ought to happen. As Mr. David Stout, the NEDO's economics director, said in a paper published* last month: "The effects will depend ultimately upon the success of the particpants in translating the sectors' self-referring recommendations into collaborative decisions within (and between) individual companies; decisions about product design, the installation and use of new plant and equipment export development, communication with customers and suppliers, training and manpower planning, specialisation and restructuring."



Based on a diagram by Mr. David Stout of NEDO the "merry-go-round" sets out some of the relationships affecting the performance of manufacturing industry. It illustrates the theory of the industrial strategy that the best way to improve international competitiveness is through an industrial policy based on productivity and product quality. The main solid lines show automatic relationships—for example the way that improvements in product quality boost exports. The dotted lines show possible, but not guaranteed, effects—for example higher profits may, but need not, increase product quality and investment.

The £250,000 allocated for communications last year has been spent on about eight conferences for trade unionists organised by the TUC, on other conferences, and on various schemes drawn up by some of the working parties.

The clothing industry working party has appointed retired executives as "ambassadors" to tour the country explaining the ideas in individual companies, a job which has also been done for the footwear and knitwear working parties by their own chairmen. The paper and board working party prepared a film, while the rubber industry working party has developed discussion in the seven companies it covers on ways of improving productivity. The rubber working party has thus had some success in starting to gain acceptance for unpalatable industrial change because its members faced up to the need for a reduction of manpower in the industry. This led to advance discussions of the redundancies that Dunlop and Goodyear have declared recently at Speke and Wolverhampton.

Some success is also claimed for other working parties in pesuading their industries to adopt changes, although it is extremely unlikely that any major company would admit publicly that it has done something because its sector working party thought it a good idea.

Subsequent ventures

Nevertheless, it is generally accepted that discussions in the consumer electronics working party during the past year since Hitachi dropped its plans to invest in the North East, made it easier for subsequent joint UK ventures to be drawn up between Rank and Toshiba, and GEC and Hitachi. Discussions in the domestic appliance working party are also credited for encouraging Electrolux and TI Creda to make freezers and washing machines for each other instead of importing from abroad.

Other developments party or wholly resulting from discussions in the working parties are said to include rationalisation of the industrial trucks industry, the BBC and ITA helping television studio equipment manufacturers by looking at ways of standardising their requirements and more constructive contacts being established between footwear manufacturers and retailers and between food and drink companies and their machinery manufacturers.

The most dramatic development of the year has of course been the Government's conversion to the so-called micro-chip revolution. The application of such microelectronics developments across British industry is now to be a major subject for the working parties in the coming year.

One working party—covering petrochemicals — broke new ground for the strategy exercise when its management and union members had a public row over the industry's future investment. This slowed down their work on other subjects such as productivity which are now to be studied, and the Government will shortly be announcing its views on the investment issue. Although there was some criticism at the time over the working party's inability to settle its own differences, it now seems to be accepted that such bust-ups should not be regarded as disasters.

Two other important events during the past year have been the publication of a report on product design which is now to be fed into working party discussions, and the setting of targets for reducing import levels by most of the working parties. The TUC wants these targets closely monitored and, in an illustration of its partly political approach to the whole exercise, might well reopen its campaign for Government-imposed import controls if the industries do not show themselves able to achieve the voluntary targets.

The TUC and the Confederation of British Industry are of course involved in the strategy for different reasons although both unite behind the primary need to improve industrial performance. The TUC want to see employment and industrial investment levels raised and becomes frustrated when this does not happen. It also sees the whole exercise as a stepping stone to a more planned economy with the Government and unions having a major say in company affairs.

It is this union ambition which makes the CBI ultra-cautious. There are many industrialists who, not surprisingly, fear that the discussions which companies are asked to hold with Government Departments and trade unions as a result of sector working party proposals are but the first step towards a compulsory planning agreement system. Industrialists have also been critical in the past about what they have regarded as impractical targets and proposals for reforms set by some working parties. Now the CBI is to make a study of this and is to try to make the amount of management time taken up in the working parties more cost effective.

In spite of such difference however, the exercise does bring both sides of industry together with the Government in a neutral and usually co-operative atmosphere both in the sector working parties and in the umbrella National Economic Development Council. It thus provides a rational forum for discussion, even at a time like the present pay crisis. Indeed, the changes for British industry being discussed by the working parties could well have a more lasting and significant impact on industrial efficiency than the more emotive political issues such as picketing and closed shops. There is also an element of employee participation in the exercise.

There are limitations to what the sector working parties can achieve, especially when they do not include all an industry's companies. Like the NEDC they often shy away from the real issues and so, for example, discuss skill shortages without going on to consider widening pay differentials.

They also discuss which industries are doing well or badly. But they fail to go to the next stage of picking "winners and losers" and so do not suggest that State aid should be channelled into one particular sector of an industry while another part may be left to die. Political embarrassment and the fear of union hostility are the main brakes when such issues are raised—a problem that may become more acute when the impact of micro-electronics on job prospects forces unions to face up to unpalatable decisions.

But while such limitations may help the critics of the industrial strategy, its supporters can take heart from the fact that there are signs that a future Conservative Government will try to keep it going, albeit probably without all the panoply of selective industrial aid. In addition it may prove to be an "invisible export" because both Canada and Australia have shown interest in mounting similar exercises.

* *De-Industrialisation. Edited by Frank Blackaby. Economic Policy Papers No. 2. Published by Heinemann and NIESR.*

MEN AND MATTERS

Haymaker in Wall Street

Midland Bank has aroused some incredulity in New York by its latest tactic for entering the U.S. market. Even odder, when I asked Midland's international division in Gracechurch Street, London, for a comment, the response was a blank refusal to say anything.

So the mystery remains: what provoked Midland to take a full page advertisement last week in the Wall Street Journal, proclaiming that it can give a range of international services "No Other Bank Can Offer"? One American banker categorised this as "pretty cheeky," seeing that Midland has no office of its own in New York—a not inconsiderable business centre and financial capital of the country at which the advertisement is aimed.

With more than 14,000 banks, the U.S. takes a lot of breaking into. Lloyds, Barclays and NatWest have abandoned the arm's-length style, by acquiring local banks.

Midland is a special case. It is a member of European Banks' International Company (EBIC), which bought up the remains of the collapsed Franklin Bank and turned it into European American Bank: that does give Midland a presence of sorts in New York.

Even so, Midland is widely rumoured to be on the look-out for an acquisition. If true, this implies it is unhappy with European American. (Another EBIC member, Deutsche Bank, has already broken ranks).

A recent development, not visibly related, was the unexpected resignation last month of Klaus Jacobs, president of European American, because of undefined "policy disagreements."

Whatever underlies Midland's $36,000 spectacular, the bank clearly felt it had laid out enough. The advertisement ends with the international division's main switchboard number in London—leaving it to potential clients to telephone transatlantic at $1.20 a minute.

"Actually he's a volunteer helper who crossed the picket line!"

Plain speaking

A firm of London stockbrokers, perforce anonymous, is currently wondering whether to employ a young graduate who may go far—in one direction or another. On his curriculum vitae he has written under the heading Additional Information: "For my degree I completed a 20,000-word thesis which investigated fraudulent practices on the Stock Exchange. I therefore have a fair knowledge of the work of member firms and an enthusiasm in this field."

Marcel's rule

At the age of 87, Marcel Dassault has plunged into the film business. The French tycoon is better known for his Mirage jets, his forays into journalism and homespun philosophising; but in hopes of putting new life into his country's listless cinema industry, Dassault wrote the scenario and dialogue for a love story called "Holiday Time."

It is now showing in the Champs Elysee—a vertically integrated operation, since Dassault owns the cinema. I cannot report that the critics are raving with enthusiasm.

Dassault's principal difficulty was with the main feminine lead, Nathalie Delon, not normally cast as an innocent maiden. After seeing the first shooting, Dassault ruled that she was "too sexy," that cleavage was out, and that no kisses should last longer than a handshake.

However, the Mirages are still selling well.

Bugs attacked

Life may shortly be made less attractive for those enthusiasts who scour the countryside with metal detectors, looking for buried treasure. As the law stands, anything valuable they find could bring them a handsome reward, as being Treasure Trove. But a private bill, being introduced today in the Lords, will do away with the whole concept of Treasure Trove.

Instead, any gold or silver object found in the earth, without the owner being known, will automatically belong to the Crown. The Bill is being sponsored by the Council for British Archeology. "We hope this will be a disincentive to the metal detector enthusiasts," says a spokesman for the council. "They are a plague, to say the least."

Tiny terror

Britain has just donated Land Rovers and other equipment for locust control in Africa—as often happens, because the world recognises the rustling, horrific creatures as a pestilence that causes famine. What then, should we think of the quelea? Although I dare say that the word might qualify for "Call my Bluff," this is no rara avis; in fact, it is the commonest bird in the world, with an estimated population of 10bn.

The quelea is a pretty little thing, closely related to our European sparrow and living mainly in East Africa. It is also a gargantuan consumer of grain.

But although the quelea easily rivals the locust as a destroyer of crops, nobody wants to contribute to its mass killing. This thought is brought to mind by the latest issue of African Gazette, a magazine which publishes tenders from all over the continent.

The publication reprints a Tanzanian advertisement calling for aerial spraying to attack "roosts and colonies" of the quelea in ten regions of the country. It is an intriguing question: how many people must be brought to the edge of starvation before a feathered friend becomes a feathered enemy?

Small breakthrough

Peking's appetite for diplomatic demarches nowadays seems almost limitless. Few people can be more bourgeois than the Luxembourgeois, but it was announced yesterday that the Grand Duke and the Grand Duchess will make a State visit this autumn to China. An official invitation to Premier Hua Guofeng for a return trip has simultaneously been accepted.

Artistic judgment

A reader who recently bought a small modern abstract sculpture tells me that his confidence in the purchase has been severely undermined by a letter received last week from the art gallery that sold it to him. It began: "Dear Sir or Madman. . ."

Observer

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FINANCIAL TIMES SURVEY

Monday February 5 1979

India

Good harvests, strong exchange reserves and low inflation are among the favourable factors which should be encouraging India's rulers to make a real assault on the widespread poverty and other social problems of this, the world's largest democracy. But an irresolute Government looks in danger of letting the opportunity slip.

Need for firm action

By David Housego

ASKED ABOUT the current performance of India's economy at a Press conference recently, Mr. Morarji Desai, the Prime Minister, described it as "not bad, but could be better."

Heads of government rarely give such an honest assessment. But the dryness of tone is equally typical of Mr. Desai's failings as a politician—in a country so fond of rhetoric—to *restore popular confidence in* his Janata Administration, which came to power two years ago on such a tide of enthusiasm.

With certainly no more under her belt in terms of economic achievements, Mrs. Indira Gandi convinced a great many people in the last days of the Emergency that India was indeed "on the move," as her Congress Party slogans proclaimed.

Instead, today it is largely the senior officials in the Government, rather than the Janata politicians, who point out that, in comparison with the admittedly slow growth rates *of the decade 1965-75, India has* been doing rather well over the past 18 months.

It is also mainly foreign observers who contrast the political turmoil in Pakistan, Iran and Turkey — countries with whom India has often been compared unfavourably — with the resilience of India's political system.

To Indians, however, the *image conveyed of the Janata* Government is of continual squabbling between factions led by ageing leaders — with, at its heart, a quarrel, now patched up, between Mr. Desai and his powerful rival, Mr. Charan Singh, who was sacked as Home Minister but has now been taken back into the Cabinet as Finance Minister and one of two Deputy Prime Ministers. For months the squabbling seemed to paralyse the Government.

Recovered

It also sank in popular esteem by allowing Mrs. Gandhi to make a fol of it by expelling her from Parliament, and then locking her up in prison for a few days after her by-election victory at *Chikmagalur. The Administration has let the impres*sion grow, whatever the official statistics may show, that violence is on the increase and more working days are being lost through strikes.

It has failed to demonstrate *to the minority communities* of Moslems and Harijans ("Untouchables") that it can offer them the same protection that Congress did—a point that Mrs. Gandhi has been quick to exploit.

The divisions within the Janata leadership have been reminiscent of the wrangling among the political bosses of the Congress Party 10 years ago —also a period of weak government but high rates of public investment.

The battle then, which Mrs. Gandhi won, was for supremacy over the powerful Congress *machine and over Government.* But since the coming to power of the diverse groups that form the Janata Party, there has been a departure from the post-*independence* tradition of a hierarchic Government, dominated by a single personality (Jahwarhlal Nehru and his daughter), towards rule by a coalition of interests in which the Prime Minister's role is more limited. The change has now been more or less institu*tionalised by the appointment* of two deputy prime ministers *under Mr. Desai.*

Whether such a system (more reflective of the diversity of the country) can effectively co-ordinate policy, has yet to be *proved.*

But the lack of unity within the Government has at least meant that no single faction has been able to impose its views on policy to the extent *of provoking new strains* in the country.

Mr. George Fernandes, the Socialist Minister for Industry, has not been able to get his way on further nationalisation, no more than Mr. Charan Singh was able to put into practice his nostalgic dreams of restoring India to a pastoral economy. As Minister of Finance, he will have more of a chance to press for allocations in the *budget* for agriculture and rural developments, but he will run into strong opposition if he attempts to penalise industry.

A weaker central authority has meant a part return to the original federal structure of the constitution. The States have recovered some of the powers they had under Nehru when strong chief ministers had the stature to hold their own against directives from New Delhi, and before Mrs. Gandhi shifted the balance by appointing men subservient to her to head State governments.

Though there is resistance among civil servants in Delhi to any loosening of "the steel *frame*" that holds the union together, the case for greater devolution is becoming widely accepted, especially with the economic priority being given *to local schemes of rural de*velopment.

But, as a result, there is already a growing distinction between States with strong administrations (Rajasthan and the Marxist Government in West Bengal) and those under inefficient management (Uttar Pradesh and Bihar). Such disparities are likely to grow as States compete with each other for resources.

The tragedy *from the Janata's point of view* is that its *future* as a National Party hangs on *success in UP*, Maharashtra and Bihar—States whose administrations have been weakened by the quarrel between Mr. Desai and Charan Singh.

The absence of firm direction has been less detrimental to the quality of administration than might first appear—and the private sector complains less of interference. Over the last 18 months a number of measures have been taken, for *instance, to open up India's* vastly over-protected economy by relaxing controls on imports of goods that compete with domestic products.

Such measures have required considerable courage because of the opposition of powerful industrial and agricultural lobbies —and because they have laid the Government *open to populist* charges from Mrs. Gandhi that heavy imports are running down the legacy of foreign exchange reserves that she left the country.

In similar vein, the Janatas opposition to the further growth *of large industrial houses has* been turned on its head by allowing them to invest in new *cement plants* to make good local shortages.

A policy of withdrawing assistance from exporters in last year's budget is now being *reversed under the shock of* finding that export receipts have dropped this year.

There is a growing list, as well, of companies being allowed *to* bring in *foreign* technology. All this points to decisions either being taken by minister or by senior officials and to realism gaining the upper hand over political rhetoric — though, without doubt, the uncertainty of the continuing political crisis has taken its toll on efficiency.

Along with the opening up of the economy, there has been some improvement in the overall *growth rate. GNP has* expanded at an average of 4.5 per cent over the last five years, compared with a trend rate, post-Independence, of 3.5 per cent.

The 7.4 per cent growth in GNP in 1977-78 is expected to be followed by about a 5 per cent growth this year, with industrial *production picking up* and agriculture benefiting from unexpectedly good winter rains. New investment has come almost entirely from the public sector, but, with capacity utilisation increasing, it should not be long before the private sector increases its outlays as well.

What this encouraging picture conceals is that there seems to have been virtually no increase *in per capita consumption of* food over the past decade — meaning that nearly half the population of 600m are as poor as ever. There has also been virtually no reduction in the number of unemployed or under-employed — now about *41m. In a country like India,* these are as important yardsticks of development as aggregate production figures.

Dropped

Against such a background of *continuing poverty and un*employment it is all the more ludicrous that India should now be in the position it is of having more resources than the Government knows what to do with. The combination of high *foreign exchange reserves, ample food stocks* and *savings as* a proportion of GDP exceeding investment, means that over the past 18 months India has been freed of the main constraints that have held back the economy in the past.

It also represents an opportunity unique since independence. In addition to these resources, the Government would have no difficulty in tapping additional foreign assist*ance or finance that donor* nations and banks are anxious to thrust on it.

The high level of surplus domestic resources stems basic*ally from depressed levels of* demand and consumption in the rural areas because of the large numbers of people living at subsistence level. The Government view is that additional investment beyond what is in the pipeline would create excess capacity.

It has thus set a modest annual average growth target in the new Five Year Plan (1978-1983) of 4.5 per cent a year. This is below what it has attempted in most previous plans, below the growth rate of south-east Asian economies and *well below the seven per cent* target that the Janata Party adopted in their manifesto.

The unwillingness to push ahead with higher levels of in*vestment arises from old taboos,* still cherished by a conservative administration, the fear of a new bout of inflation (though wholesale prices are now hardly above last year's level because rural purchasing power is still low); reluctance to depend on *foreign aid because of its politi*cal vulnerability; a gospel of continuing self-sufficiency that the Chinese are throwing off with more gusto.

The *economic priorities* of the plan are rightly on raising rural incomes and hence demand through creating more jobs. But unless State governments—and, in particular, in poor provinces, such as UP and Bihar, which together have a *population of 160m.—are bullied* into coming *forward* with more development projects (more roads, for instance, to open up their isolated villages and which immediately create more construction jobs), rather than being told that funds are not available, the risk is that the food surplus will climb higher as production increases with new irrigation projects but is not matched by increases in *consumption.*

Industry could also find itself short of markets as it did from 1965-75. At the same time, without active measures to *diminish the income gap, the al*ready strong current of violence between the "haves and have-nots" is likely to grow.

Probably the major legacy of Mrs. Gandhi's rule was to awaken the poor to the chances of improving their lot through political action.

In the south, the growing political consciousness of the Harijans and the lower castes has brought governments to power which have promoted their interests. This appeal to the poorest has been the basis of the Congress Government in Karnataka and why Mrs. Gandhi chose to stand in a by-election there.

In the Hindi-speaking belt of the north, the Harijans have come into conflict with the increasingly prosperous peasant class of UP and Bihar—the Jats, Ahirs and Khumisp—who look to national leadership from *Charan Singh.*

The victory two years ago was locally a victory for this class and they have since used their control over state governments to try to consolidate their political position by reserving more jobs in government service for their members. Their measures to this end have provoked great *bitterness and brought the* upper castes and the Harijan's in alliance against them.

The bitterness has been reflected in continuing violence in Bihar and UP—destruction of Harijan's houses, the forcible

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Signs of stronger growth

EVER SINCE independence India's lumbering economy has seemed immune to Government attempts to lift its growth rate once and for all above a 3½ per cent historic trend. Sometimes natural calamities like floods and famine have wiped out harvests, and subsequent foreign exchange shortages have prevented the purchase of items not produced at home but essential to sustain growth. At other times, when these constraints have been absent, either the bureaucracy has been unable to cope with the new circumstances or the politicians have failed to make the country respond.

In India right now, both the Government and Ministries are once again being put to the test on the economic front. Grain stocks are large and foreign exchange reserves are high. Although the administration initially faced some difficulty responding quickly, it has since relaxed important controls over imports, industrial licensing and internal movement of grain. A large trade deficit is looming, but the balance of payments will end the year in surplus. Credit is easily available and the inflation rate is among the lowest in the world.

But if the economic conditions for growth in the short term have never looked better, the political climate is far from happy. The ruling Janata party is preoccupied with its own internal feuds and with Mrs. Gandhi and is in no shape to take advantage of the present bright position to fight its self-declared war on poverty and joblessness. The long-term picture is also far from satisfactory. Population growth could now be as high as 3.4 per cent a year, which may wipe out many of the gains that are in prospect.

India's five consistently good harvests in a row are mostly due to fortunate weather but are also the product of increased irrigation and more intensive use of fertilisers. Although the large grain stocks—at 17m tonnes they are too large—contrast sharply with the undernourishment of millions of Indians and show how unequal is the distribution of income, people are talking seriously of India having escaped the worst of its dependence on monsoon rains.

India's strong external position stems from continuingly large remittances from Indian workers abroad and also from high invisible earnings from shipping and air transport, tourism and foreign assets. Because this has allowed a substantial relaxation in import controls, the old constraint of domestic supply shortages is being largely countered, albeit at the cost of a large trade deficit. The reserves remain buoyant, however, and the balance of payments surplus means that still underdeveloped India is in effect lending abroad and helping to finance the developed countries' growth.

Although the progressive relaxation in import controls has not been across the board and India remains a highly protected economy, it has been a key factor containing the country's inflation rate to its low level. After the 20-25 per cent rates of the 1973-75 period, India's wholesale price index rose 5 per cent in 1977-78 and has increased little more than 1 per cent in the first eight months of this financial year (April-March). The administration reckons that with its ability to use the import and export tap to help deal with any domestic shortages, prices can be contained even though money supply has been rising (12½ per cent last year, 10 per cent this year).

Record

In 1977-78 most of the country's growth of perhaps 7 per cent was contributed by agriculture. Apart from the record grain harvest of 126m tonnes, cash crops like sugar, tea, coffee and cotton all improved. By contrast industrial growth was a disappointing 3.5 per cent about half that of the previous year. The fall was due to a shortage of the same items whose easy availability had inspired the previous year's growth: raw materials like iron and steel and cement, railway wagons for transport, and power.

This year the reverse is likely to be the case. The grain harvest is expected to be about the same, but the cash crops are again expected to show an improvement, perhaps of about 10 per cent overall. This would represent an overall contribution to growth from agriculture of some 3 per cent. Industrial growth, on the other hand, is expected to top 9 per cent, a figure which is thought to have been exceeded only once in the past decade, in 1976.

This means that overall growth might well exceed 5 per cent for the second year in succession, and that the Planning Commission's 4½ per cent target for the 1978-83 sixth plan might be reached—in which case the credibility of planning would receive a significant boost. It also means that total investment is not stagnating. Provisional Planning Commission estimates indicate the increase this year could be of the order of 13-14 per cent, after a reported 15 per cent last year—a level which could be higher in the circumstances but is no worse than the average for the 1970s.

This activity, however, is mainly concentrated in the public sector, where investment is said to have risen 30 per cent (from rather low levels before) last year and to be heading for 20 per cent this year. Businessmen and bankers paint a far from rosy picture of investment opportunities. But while there has been little sign of new fixed investment in manufacturing generally by the private sector, businessmen have shown no hesitation in investing money where there are shortages and therefore demand—in cement plants, for example.

In the eyes of an unworried administration private sector investment is a "lag" rather than a "lead" factor in India and of marginal rather than central significance in the overall progress of the economy. What really matters, officials say, is overall investment, and especially public sector investment which is aimed at agriculture. This is said to be pressing ahead rapidly: tubewell investment is described as large, for example, and investment is being made in new capacity to overcome shortages of items like fertiliser, as well as steel, soda ash and cement. When all this comes on stream, imports of these items are likely to be halted.

Just as last year's argument inside India over who is responsible for all the shortages goes on endlessly, so the debate over nationalisation and the role of the so-called "large houses" continues too. On this the private sector is still not sure how best to respond. Some businessmen say they discount what the Industry Minister, Mr. George Fernandes, says in public before large crowds because of his firm assurances in private. Others say his threats to nationalise various industries—the most recent include Tata's steel plant, the Birlas's aluminium plant, and the two main automobile manufacturers — should be taken seriously because they are politically rather than economically inspired.

On the fuel and power front, where there have also been shortages, the position is improving. Electricity generation has risen at an annual rate of 13 per cent so far this year, mostly thanks to high levels of hydro-electricity output. More projects are due on stream next year. Coal production will be below even its reduced target of 107m tonnes this year, with perhaps 2m tonnes lost by the floods in West Bengal. Oil shortfalls resulting from the Iran crisis have for the most part been covered by contracts with Iraq, and stocks are 50 per cent above normal at 1.2m tonnes.

Along with the improvement on the capital goods front there are incipient signs that demand for consumer goods is also picking up, even in the rural areas. People are said to be buying soap, matches, cloth, sugar, bicycles, and radios on a scale which suggests that even those who do not own land may at last have begun to benefit. In the eyes of the Administration, therefore, the whole rural-based strategy of increasing agricultural output and promoting small-scale industries is bearing fruit.

Hard evidence for its success is difficult to come by however. The aim is to reduce poverty and increase employment, and recent data on both are simply unavailable. Indeed, while masses of information is available on what the Government has planned to do or says it will do, virtually none exists on what it has achieved. Going by past correlations, however, a 9 per cent increase in industrial output ought to produce a 4½ per cent rise in factory employment, so that more jobs should be available in urban areas. Similarly a 10 per cent increase in agricultural output should bring the number of rural inhabitants living below the poverty line down from 46 per cent to 45 per cent.

If this impact is achieved, the outcome will still be modest. But then the problems of poverty and unemployment in India can only be described as enormous. It is therefore no surprise that the arguments continue, even if the new thinking which came with Janata's arrival in power is firmly established in the public mind. On the agricultural front, for example, there is the question of whether land reforms, even if they are not politically possible, are essential to the achievement of these objectives. The answer is not obvious because of the generally small size of holdings already.

On the industrial front there is the question of whether small-scale industry is the best means of producing items like soap or matches which are already being produced on a large scale at an economic cost. The problems of small industries, one businessman says flatly, are large. He points to a study produced in India on the subject of bullock cart technology to make his point, but he might have chosen anything.

Modest

If it is too early to look for results in terms of Janata's ultimate objectives, it is not too soon to see the consequences on both the agricultural and industrial fronts of its moves to liberalise the economy. The decision to allow free internal movement of food grains has helped remove temporary shortages and offered people greater variety. The decision to let investments of up to Rs 50m go ahead without a licence has made the interminable "corridoring" for industrial licences unnecessary for the small-scale industrialist. The old limit was Rs 10m.

The progressive liberalisation of imports has caused them to soar 28 per cent in value terms in the first six months of this financial year, no doubt reflecting a release of pent-up demand. Taken along with an unusually disappointing performance on exports, which have fallen, for the first time in several years, by 4 per cent, India's visible trade deficit is expected to double this year, topping $1.2bn. The sizeable imports have been of cement, metals, oil, fertilisers and edible oils, all of which have been in short supply. Exports of traditional items like tea, coffee, cashew nuts and tobacco have fallen, although non-traditional items and especially engineering goods have held up.

For all this the balance of payments position remains satisfactory. Foreign exchange reserves (excluding gold and SDR holdings) stand at around $6.5bn, or about a year's imports. Taking the trade deficit, the aid flow and the reserves, invisibles including remittances appear to be running at about Rs1bn a month. Remittances account for over half of this, but the growth rate appears to be slackening, although there are no firm statistics.

Some people say remittances will fall more sharply because India is insisting on better conditions for its workers, but this seems unlikely. Indians face enough bureaucratic obstacles to leaving the country as it is, and still go. A more important consideration is any change in the level of economic activity in the OPEC countries, and it is this which officials are keeping a close eye on in their reserves policy.

Against this broadly positive picture of the economy must be set several negative features. The labour position is far from satisfactory, with strikes in recent weeks alone hitting the country's docks, banks and jute mills. Although this has been a constant factor of Indian economic life, it remains a damaging one. Second, it may not be possible to contain inflation at its present low level, particularly if shortages develop for which the response on imports cannot be quick. There are also signs that the so-called "parallel economy" is asserting itself strongly again, involving "black money" (undisclosed funds) and goods in short supply.

In the longer term the inefficacy of India's population policy is a persistent worry. But questions also remain about whether the Janata Government, or any Indian government, can finally lift the economy growth rate to a higher level. From Janata's real mixture of personalities and views—the socialist strands of thought of Mr. Fernandes, the priority for land-owning peasants given by Mr. Charan Singh, the greater sympathy for large rather than small-scale industry of Mr. H. M. Patel and the Gandhian preferences of Mr. Desai—the government has conjured an economic policy emphasising rural development which has been widely accepted. But so far it has shown few tangible results. Unless this changes even the achievements under Janata will look like the achievements of an administration rather than of a government.

Chris Sherwell

BASIC STATISTICS

Area	1.26m sq. miles
	3.27m sq. km
Population	610m
GNP (1976)	Rs 770bn
Per capita	Rs 1,262
Trade (1977)	
Imports	Rs 55.6bn
Exports	Rs 52.6bn
Imports from UK	£278m
Exports to UK	£384m
Currency: rupee	£1=Rs 16.1

Action

CONTINUED FROM PREVIOUS PAGE

seizure of land and disturbances at the universities that have left some closed for almost two years. In addition, there have been communal clashes in Lucknow and Aligarh. More widely still, the belief that violence, whether by groups of industrial workers, landless labourers or university students, is the most effective way of gaining one's goal, seems to have gained ground before the emergency and since.

The Janata Government thus finds itself in power at a time of widespread social and economic upheaval of which the Emergency was certainly a symptom. Mrs. Gandhi's act of violence on the constitution has been repeated before and after by other Indians in countless other abuses of power unconnected with the Emergency.

The Government's almost impossible problem is to live up to some of its election promises on alleviating poverty and unemployment, to demonstrate that it can govern effectively without resort to the measures Mrs. Gandhi took, and to project an image of an All India Government, mindful of the communal and caste interests it does not directly represent.

Mrs. Gandhi is confident that it will fail. There is little doubt that she is determined to become Prime Minister again. She shows little sign of looking for advice beyond the small circle of family and confidants who stood by her in the Emergency and whose policies led to its worst excesses.

A further sharp deterioration of law and order would play into her hands politically, as well as encourage a drift towards the type of authoritarian government that produces short-term results, but which, during the Emergency, showed that it had no solution to the country's long-term problems.

One of the missed opportunities of the past two years has been that a full two-party system has failed to evolve.

There is room for genuine debate over whether the more open system of government of the Janata Party or the more disciplined approach now being attempted in Sri Lanka is the more appropriate for India.

But neither Mr. Desai, now over 80 and rooted in his ways, nor Mrs. Gandhi, preoccupied with litigation and the organisation of a new populist movement, has clearly voiced the alternatives.

POLITICS

Lack of leadership

THE EUPHORIA evident two years ago when the Janata Party swept Mrs. Indira Gandhi's Congress out of power has given place to despair. Those who saw in the event the return to democracy, the hope that the merger of disparate opposition parties would initiate the long sought after two-party system on the Westminster model have slowly become disillusioned. The national alternative that the Janata appeared to be has proved a transient phenomenon, an experiment that has all but failed.

Personalities have always counted for more than ideology in Indian politics so it is not surprising that the near-collapse of the experiment is due largely to personal quarrels and disharmony at the top. Mrs. Gandhi, a towering personality for the past dozen years, has shrewdly fished in the troubled waters of the Janata to make a bold and largely successful attempt to stage a comeback. Her gains in the past six months have been truly impressive. It is a measure of her resilience that for someone considered a spent force less than two years ago she is again a formidable figure, the main contender for power.

What she is really doing is to exploit the inability of the Janata's constituent units to merge. Before this party was formed, the Congress was very much the same kind of umbrella, providing shelter to ideologues of all hues. The difference is that the Congress always had at its head a figure of national stature—Mr. Nehru and his daughter—the weight of whose authority was sufficient to subdue dissent if it tended to get out of hand and who had the ability to force a compromise because of the patronage they could dispense.

Whims

The Janata has neither. There is no commanding figure at the head. Mr. Morarji Desai has attempted a curious mixture of ruling by seeking a consensus on some issues while imposing his personal whims on others, making himself almost universally disliked in the process. If he continues to be Prime Minister of a Janata Government, it is not because he has demonstrated any great ability but because his removal would lead to a scramble for the leadership of the party and impose strains it probably would not be able to survive.

The disenchantment with Mr. Desai has grown because of his prolonged inflexibility over the resignation of Mr. Charan Singh, leader of the Bharatiya Lok Dal (BLD) faction in the Janata, who has just been taken back into the Cabinet after seven months of public quarrelling. The break between the two came over the issue of punishing Mrs. Gandhi for her Emergency excesses but this was really the pretext. The squabbling between the two men showed that the real cause was Mr. Charan Singh's unfulfilled ambition and Mr. Desai's rigidity.

The obduracy of the two has frustrated the attempts of the leaders of other factions and made them disgruntled men. For the past few months, the country has been subjected to the spectacle of repeated attempts by other Ministers to effect a compromise, of their threats to resign and of resignations being withdrawn—a spectacle that would be comical if it were not unedifying and causing widespread disenchantment.

Some in the Janata Party feel that it is the failure to carry out a socio-economic programme that has led to its loss of popularity, hence the recent attempt to project an ideological image. This has led only to more divisions in the party since factions which have not in fact merged see in the extreme positions taken by others—on nationalisation of key industries as proposed by the Socialist Minister for Industry, Mr. Fernandes, for example—attempts to drive a wedge further among the groups. As the growth rate of the economy shows, the "non-performance" that some Janata Ministers are blaming themselves for is not quite as bad as they think. That they have been remiss in their Ministerial duties is due to their preoccupation with the unending crises in the party, and these seem insoluble even though Mr. Charan Singh has returned to the Cabinet, since personal dissensions will continue.

If the Janata Party does succeed in formulating coherent and nationally acceptable policies—and the likelihood of this appears remote—it would draw attention away from other aspects that have made it a regional party confined to the northern Hindi-speaking belt. The South remains alienated from it and the Janata has failed to win any by-elections there.

The Hindu nationalist Jan Sangh's links with the ruling party have evoked distrust during the frequent communal riots. And Mr. Charan Singh's undoubtedly strong links with the "kisans" (farmers community), whom he attracted last December in hundreds of thousands in an impressive bid to demonstrate his popular base, has driven away the Harijans. The job reservation scheme for "backward classes" in some States has exacerbated the perennial caste factor.

No matter how powerful the support that Mr. Charan Singh has, it is the Jan Sangh's role that is crucial in future alignments in the Janata. The Jan Sangh has grown, almost silently, in the past two years and the three States controlled by it have been ruled with an efficiency that is lacking in other Janata-ruled States. That the Jan Sangh and its allied organisation, the militant Rashtriya Swayamsewak Sangh (RSS), is being attacked both by Mrs. Gandhi and other factions in the Janata—for the alleged role of the RSS in communal riots—is a sign that its growing influence is feared. Indeed, some observers feel that the Jan Sangh is interested in propping up the Prime Minister and the Janata long enough to establish itself as the heir to the organisation.

Skilfully

However, its Hindu ethos and the suspicions with which RSS activities are viewed are factors against it, especially in a country where there are millions of Muslims and other minorities and where the South fears its linguistic fanaticism. These have been used by Mrs. Gandhi in her campaign; her attack on the Janata is directed through the Jan Sangh. Her attempt has been remarkably successful since she has an uncanny knack of choosing the right tactical ploy. So skilfully has she managed her campaign that she seems the only professional among a pack of amateur politicians.

Now wearing a martyr's halo because of her week's spell in jail on being held guilty of breach of privilege by Parliament, Mrs. Gandhi has forced the Janata to let the impression grow that she has atoned for her Emergency sins. Initially it seemed that her aim was just to squash the charges of abuse of power and corruption against her and her son. Now she has made such headway that she is again a contender for power, easily the most important leader of the Opposition in the country. Not only has Mrs. Ghandhi humbled her opponents in the Janata, she has quickly won over to her side most factions of the Congress and she is now again its leader—an achievement that has taken her less than a year.

Mrs. Gandhi could return to power but, despite her impressive gains, she has a long way to go unless the Janata crumbles and provides her with a windfall. Her Congress has suffered a string of by-election reverses, although its hold over some southern States seems firm. The north remains wary of her and recent by-elections have shown that it has not forgotten the excesses of the Emergency. She is aware of this and this explains her reluctance to contest a parliamentary by-election from the north; she chose the safe plantation constituency of Chikmagalur in Karnataka which was carefully selected for her by her protégé, Mr. Devaraj Urs, Chief Minister of the State. She has announced that if she contests again—and there is little doubt that she will and that she will win—it again will be from Chikmagalur.

Mrs. Gandhi is keeping her options open and, because she is insecure in the north, she has even tried to woo Mr. Charan Singh who has just demonstrated his base in the northern States. This is an attempt at a realignment of politics that the country has been hearing of for nearly two years. It implies that Mr. Charan Singh will abandon the Janata by withdrawing the BLD from it and that Mrs. Gandhi will form an alliance with him. This kind of speculation is common in India's capital. The realignment spoken of has so many permutations and combinations that it should be taken seriously only when, and if, they happen. Certainly all the ingredients for a realignment are present: disunity and dissatisfaction in the Janata, the lack of any ideological basis for differences between the two major parties and Mrs. Gandhi's growing strength.

The danger is that such manoeuvring has already led to a "debasement of Indian politics and devaluation of politicians," as a noted political commentator describes the present situation. He warns: "Most politicians in the country are contributing towards the general belief that they are in the business of politics to feather their nests rather than to serve the electorate and the people. Our neighbours have already shown the direction politics can take if politicians do not rise above personal and group interests. Mrs. Gandhi has once defiled the sanctity of democratic institutions in the country, giving heart to others who may wish to improve upon her performance."

This warning is timely in view of the growth of regional, instead of national, forces and parties and a weak Government in power at the federal level. The Marxist faction of the Communist parties, now in power in West Bengal and Tripura, is fast consolidating its position. Its leaders are under no illusion that a revolution is around the corner but they hope "our message will carry" to other parts of the country since the Marxists have been unusually effective in and acceptable to the States they rule. But they still have to take root in many parts of the north and west. For the present, the country will have to be satisfied with the Janata muddling along until Mrs. Gandhi forces it out, either through a mid-term election or without it.

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AGRICULTURE

Self-sufficiency in sight

INDIA IS heading for its fourth successful foodgrain harvest in a row. People are speculating *seriously that the country is* close to insulating itself from the ravages of the weather—that it is now in the midst of a second Green Revolution thanks to fertilisers, pesticides and improved cultivation techniques. If they are right, India could be experiencing one of the world's most important agricultural developments in a decade.

In fact, the picture at the *moment needs more sober interpretation*. The struggle for food self-sufficiency in India is a race against population growth, and it could well be lost unless family planning policy is hauled back from its present disastrous state. Against the 17m tonnes of foodgrain kept mostly under tarpaulins all across the country—a stock twice as large as necessary even on exaggerated estimates of future security needs—must be set the uncomfortable fact that millions of people remain undernourished if not actually starving.

It is not yet certain whether any amelioration in these people's condition owes anything to the Janata Government's laudable strategy of emphasising rural development. No one doubts that good monsoons have been an essential pre-condition for the improved harvests of recent years; indeed, the weather is one of the principal reasons for the Indian economy's favourable outlook, along with healthy foreign exchange reserves. But officials are convinced that the Government and administration can take much of the credit for the continued good performance.

The rise in rice output of more than 25 per cent last year, the highest increase ever, is said to mark an acceleration of the first Green Revolution in India's rice zones as high-yield varieties are more widely used. This year the administration forecasts a total output of foodgrains—wheat, rice, sorghum, maize and millet—of about the same as last year's record 126m tonnes. As higher-than-average growth is expected in the output of India's commercial crops of ground nuts, sugar cane and cotton, it is reckoned that agriculture will continue to make a sizeable contribution to the economy's overall growth rate.

Last year's 15-20 per cent growth in the output of these commercial crops was a vast improvement on previous poor years. Even output of pulses, which has tended to decline over the past two decades, began showing a recovery. Tobacco, potatoes and onions have all been in excess, to the point where producers are being deprived of good prices. This is said to have affected, for example, many of those people who suffered in the cyclone which hit Andra Pradesh in November 1977, who decided to plant tobacco in place of the crops that were washed away. In Uttar Pradesh sugar cane was destroyed or left uncrushed.

In the administration's judgment, the country's agricultural performance in 1977-78, one of the best years since India became independent, has vindicated its policies. Thanks to the huge additional area brought under irrigation—2.6m hectares extra last year, another 3m this year—officials reckon fully threequarters of the wheat and half the rice output now comes from areas with an assured water supply. By March last year 50m hectares of the total area in crop of 170m hectares were under irrigation. If the weather turns bad, they say, the resulting dip in output will be less than ever.

Certainly the greater priority given to irrigation is paying handsome dividends. So too is the increased use of other essential inputs such as fertiliser and pesticide. Though this is to a large extent the natural consequence of the good rains and available water, a reduction in fertiliser prices by the Government no doubt helped as well.

Trevor Humphries

Young girls sorting dried chillis in a field at Sonepat, Haryana

There was also an encouraging increase in the use of phosphate as opposed to nitrogenous fertiliser. Last year alone consumption of fertiliser soared by almost 900,000 tonnes, and it could rise by almost as much this year, reinforcing the prevailing hopes of another good performance.

Variety

The better performance also owes something to improved plant protection techniques, better extension services and greater stress on rural credit. In addition, thanks to the decision to free the internal movement of grain, people are not only free of shortages, they are also offered greater variety and at reasonable prices. So much confidence is there that, according to one assessment published in India recently, the country has emerged from its "scarcity trap" and the economy ought to be equipped to meet emerging agricultural surpluses. Exports are even mooted as a possibility, and last year India exported rice to Indonesia.

Against this back-slapping must be set the Government's self-appointed task of tackling poverty and joblessness in the rural areas through agricultural development and the creation of small-scale industries. On this count it seems that, despite the distressing lack of information let alone hard statistics, little has been done yet.

If there is to be any improvement in the plight of the landless labourer, land reform is essential, the Government's most radical critics say. That is, absentee landownership should be abolished and landowners should become land tillers as well. *Landless labourers do not* benefit from the Government's rural strategy, the argument goes, because credit, inputs and so on go to the better off: that is, the farmers and middlemen. Therefore, even if the local village shops are gratifyingly full, these labourers have little money to spend in them, for although their wages may have improved (broadly speaking), the benefit has been lost through inflation, a swelling in their own numbers and farmers' cutbacks in the use of labour.

Land reform is almost impossible, however. Landowners already have evaded those that have been applied, and the Government lacks the political will to do more. It is not a matter of dealing with a few thousand large landowners; it is a matter of breaking up comparatively small holdings of land belonging to maybe 100m people—and then, if the radicals have their way, going over to collectivisation. The harsh fact is that India's bureaucracy probably would not be up to it even if the politicians were.

As a result, the Government's strategy relies broadly on a "trickle down" effect, in which more intensive cultivation might lead on balance to greater employment, even if the introduction of new techniques might also involve some replacement of labour. The trouble is, the strategy also has equated rural development with helping peasant producers rather than rural consumers: this means giving the very powerful peasant farming lobby pretty much what it wants, which is high procurement prices, instead of lowering retail prices.

What is more, even now it seems that the beneficial "trickle down" effect will be small compared to the magnitude of India's poverty problem. Officials reckon that the detectable growth in demand in the rural areas for consumer goods such as soap, cloth and even gold cannot all be explained as purchasing by better-off landowning peasants. All the same, some other means almost certainly will have to be devised to give substantial help to the landless labourer who is the target of the Janata strategy.

So far there has been only the "Food for Work" programme, in which labourers on public works programmes are paid in kind. A better opportunity is presented by diversification in agriculture, for example by the expansion of livestock farming, fisheries and forestry. Small-scale industries—weaving, handicrafts, carpets—offer another possibility, but the problems of credit, technology and marketing are all large. Rural banks are being established, but while repayment of loans poses a problem, the real difficulty appears to be a lack of demand rather than lack of collateral among those to be assisted.

For all these difficulties, the Janata Government clearly has a functioning agricultural policy. If it is true that most of the benefits are going to the already better-off farmers of the Punjab and Haryana, as seems to be the case, still the expansion of irrigation use of new varieties of seed and more intensive use of fertilisers are all helping the country as a whole. Quite how much Government policies have contributed to the upturn which began with the weather is unclear, and is mostly the pre-occupation of people in city offices rather than green fields. But if agricultural output continues to grow faster than the historical trend rate of 2 per cent, government policy will make a big difference between continued poverty and improved well-being.

Chris Sherwell

FOREIGN POLICY

Changes bring doubts

AFTER ITS remarkable foreign *policy successes during its first* year in office, the Janata Government is approaching the end of its second far less happily. Events have not gone India's way, the earlier initiatives have been less productive than Janata hoped, and its own unsteadiness at home has been damaging.

Certainly things looked much rosier early last year. *India's* policy of "genuine non-alignment" had brought a closer relationship with the U.S. and contact with China on the super-power front, without harming more traditional links with the Soviet Union. Its "good neighbours" policy closer to home held out real promise of improved relations with Pakistan, Bangladesh and Nepal and also with Afghanistan and Iran.

Now, although there have been significant achievements and India is both sought after by the super-powers and on better terms with all its neighbours, things still look less than satisfactory. Amid doubts about Soviet intentions, vast and unpredictable changes in China and U.S. uncertainty over Iran, India is less sure of the world around it than ever, and though strong, it has few reliable friends.

Improved relations with the U.S. have been hampered by the continuing problem of fuel supplies for the Tarapur reactor in Bombay. Underlying this is the vexed nuclear proliferation issue, over which both sides are reaping the consequences of their own understandable stubbornness.

Because of India's 1974 *explosion of a "nuclear device,"* the U.S. no longer sees India as a non-nuclear weapon State. Under President Carter's non-proliferation legislation which comes into force next year, therefore, the U.S. will not be able to supply enriched uranium for Tarapur unless all nuclear facilities are under "full scope" safeguards. Tarapur itself, however, is under IAEA safeguards, and supplies for it were originally contracted in 1963.

India, on the other hand, regards itself still as a non-nuclear weapon State, saying that the 1974 blast was a "peaceful" nuclear explosion. It believes the 1963 contract should not be superseded by Mr. Carter's legislation, and is threatening to find alternative sources of fuel. One such source is the spent fuel from Tarapur now kept under water, which *requires U.S. permission to be* reprocessed but which Washington is in no position to take *back to the U.S., as is its right.*

Objective

India also says that it will not put its name to the nuclear non-proliferation treaty, as the U.S. wants, until a comprehensive test-ban treaty is signed by all the super-powers. This is a seemingly impossible objective, but Mr. Desai has gone out of his way to argue the disarmament cause, even though his protests about the discrimination in the non-proliferation treaty are directed at its very purpose.

For all the emotional aspects of the nuclear issue, both countries appear determined not to let it hinder progress in their relations on other fronts. Mr. Carter and Mr. Desai have a close rapport, and exchanged visits in 1978. Mr. Desai sees real compatibility between the U.S. President's emphasis on human rights and his own thinking. Under Mr. Carter, the U.S. has made a clear tilt towards India in South Asia, confirming its view of India as the pre-eminent power in the region.

This recognition is what India *is after* from China as well, but again things have not moved as fast as hoped. A Chinese trade delegation visited India in January, followed by a goodwill mission in March. But the much publicised China visit of India's External Affairs Minister, Mr. Atal Behari Vajpayee, scheduled for October had to be postponed because of his illness, an unfortunate development for such an important mission. He is now expected to go to Peking this month, but it is still far from clear what will emerge from the trip.

Judging by public statements, no one is expecting very much. India has been suspicious of China ever since its humiliating defeat in the 1962 war, and will be hoping for some sort of commitment to discuss the border problem, especially the northern area of Aksai Chin where in 1959 it was discovered that the Chinese had built a road, virtually annexing thousands of square miles of territory.

The timing of America's normalisation of relations with India seems unlikely to help in all this, inasmuch as it strengthens the notion of a U.S.-China-Japan axis. Mr. Vajpayee may therefore only return with promises of increased trade and cultural exchanges.

Even then the improved atmosphere will help India to normalise relations with its immediate neighbours, including Pakistan, whose attachment to China is close. Curiously though, India is not prepared to put its border dispute with China on ice, as it has been prepared to do with Pakistan.

To judge by its actions the Soviet Union is nervous over the prospective improvement in Sino-Indian relations, bending over backwards to favour India. As a result the Janata Government probably has more to show in this respect than its predecessor did, despite Mrs. Gandhi's criticisms that this relationship was being impaired by the Janata policy of "genuine non-alignment."

The two countries signed an important 10-15 year collaboration agreement in March, and later the Soviet Union offered to help India meet some of its cement, coal and oil requirements. They also resolved the old rupee-rouble dispute on terms favourable to India. All this has produced an assurance from Mr. Vajpayee that India would not normalise relations with China at the expense of the Soviet Union.

India has nevertheless grown more suspicious of Soviet intentions, and this is widely regarded in the West as an important change in Indian thinking. Though India was one of the first to recognise the new Soviet-orientated socialist regime which came to power in Afghanistan last April, and Mr. Vajpayee visited Kabul subsequently, India's private view appears to be one of concern about internal developments in Afghanistan, particularly if the consequences spill over into Pakistan. If they then affect the southern Pakistan province of Baluchistan, which is the key to age-old Russian ambitions for a warm water port, India's and the West's worst fears about Soviet involvement in the region could be confirmed.

Magnified

These worries about developments on India's western front have been magnified by the Iranian crisis, although the practical problem of alternative oil supplies appears to have been resolved thanks to agreements with countries like Iraq. Relations with the Shah were good. When he visited India early last year there was much talk of regional economic co-operation, and Iranian investment in projects like Kudremukh, the biggest mining operation in the country, were of real importance. Now India watches developments in this and other Muslim countries with genuine concern.

The continuing instability in Pakistan, for example, is a vital element in all this. Although people in Pakistan fear as much as ever the break-up of their country and imagine that their neighbours have such an objective in mind, developments in Afghanistan and Iran are said to have reinforced the opposite view in India, where Pakistan's role as a buffer state looks all the more necessary, if no closer to realisation under military rule.

India's relations with Pakis-

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Steel tubes in the making at Bharat Steel Tubes factory in Ganaur, Haryana. The factory can produce 200,000 tons of tubes a year

Trevor Humphries

Test of confidence

MR. GEORGE FERNANDES, Minister of Industry, has recently been publicly giving himself a pat on the back. This is partly because of improved production in 1978 after a relatively dismal performance the previous year and partly because he thinks that both his and the Government's image badly need to be improved. Yet there are still many imponderables on the industrial scene, and private industry and independent observers do not share Mr. Fernandes' exuberance while acknowledging the dynamism he has undoubtedly brought to his charge.

Overall industrial production is said to be running at the satisfactory growth rate of over 8 per cent and thus maintaining Mr. Fernandes' target of 7-8 per cent in 1978-79 compared with the meagre 3.5 per cent registered the previous year. But demand constraints have given way to supply difficulties. There are now shortages of some industrial raw materials—notably steel and power—which are being partly met through imports. The pickup in demand for consumer durables is not nearly as good, and there is considerable surplus capacity in items like refrigerators and others catering to what some like to call "elitist" demand. The "organised sector," reflected in the official industrial production index, is being closely monitored and is, on the whole, doing much better than in 1977, although the improvement is over a low base.

But the Government's success or otherwise in industry will be judged not so much by how far it has been able to remove the constraints that held up progress two years ago or the percentage increases that some sectors are apparently showing. The test it must subject itself to is the success in translating into practice its policy of encouraging small and rural industries and thus making a dent in the employment problem that it has promised to eliminate in a decade (of which two years are nearly over).

Confidence

It must also answer how far it has inspired confidence in the private sector, as it has traditionally been defined, and this means the relatively large units in whose hands are critical areas of the economy. The Government will also have to answer for the sudden deterioration in the performance of the public sector to which a dominant role continues to be given.

Private industry can hardly be said to be happy with Mr. Fernandes' recent pronouncements favouring nationalisation of such key sectors as steel, aluminium and motors. He wants this ostensibly on the ground that these industries have not tried to make technological advances. This is substantially true of the motor industry, although it has not really been encouraged to do so in a sheltered market for products that largely serve the better off. Yet suspicions of populist motivations in Mr. Fernandes' pronouncements must be strengthened when he refers to steel where just one of the five integrated plants is in the private sector (Tata Iron and Steel) and even there the equity holdings are widely dispersed. As Mr. J. R. D. Tata says, the concept of a mixed economy is in danger.

If steel availability has emerged as a constraint—the Government has decided to import 1.1m tonnes to meet the shortage—it is because of the poor performance of the public sector plants. These, in turn, blame the public sector coal industry for failing to meet their needs. It is also due to poor investment decisions in the past, which have meant that additional capacity is coming up slowly. The result is that the target of saleable production during 1978-79, set at a relatively low 7.8m tonnes, is unlikely to be achieved despite the increase in production.

The private sector, or that segment of which is described as the "large house," still faces uncertainty and is holding back on investment decisions. Recently, for instance, the guidelines on debt-equity ratio were changed to encourage them to find their own financial resources. Public financial institutions are now barred from coming excessively to their aid. There are sound reasons for this since the large houses seemed to have bagged a disproportionate share of public funds for their growth.

But this comes as part of the policy virtually to freeze their capacities at existing levels. At the same time, the Government is taking "pragmatic" decisions and encouraging the private sector to enter areas like cement and power generation: the large houses have licences in these sectors. This is a tacit recognition that there is a role for established private industry, mainly because of its managerial experience. But because of the official ambivalence, combined with lack of political will, its investment decisions are being held up.

Private industry, in fact, complains of constraints that are common to all sectors of Indian industry. These are among the reasons for the poor performance of the public sector also. Low coal production has hampered not only the efficient running of the railways and thereby caused a transport problem but also continues to affect power supply and steel output.

The power situation now is not as acute as it was—there has been a rise in generation by an impressive 14 per cent over the last year—but this is mainly due to hydel stations and not thermal, which continue to operate well below capacity. Remedial measures are being taken, including import of generating equipment and installation of new capacity, but power shortages remain and retard industrial production.

So does labour unrest. Government efforts to prevent strikes and lockouts have proved largely unsuccessful, while inter-union rivalry continues and the new Industrial Relations Bill remains stalled in Parliament. In the latter part of 1978 and early this year there have been such major events as a dock workers' strike and bank workers' agitation which are threatening to cripple the economy. If bank workers begin an indefinite strike this month, the effects will be disastrous. The overall labour situation may be judged from the fact that in the first half of 1978, the number of man days lost was just over 8m, compared to 8.12m in the same period of 1977.

That industrial production has, nonetheless, done as well as Mr. Fernandes claims is remarkable. The growth rate in 1978 was maintained even after devastating floods twice inundated areas in the northern and eastern states and further enfeebled coal production by hitting the mine belt in Bihar and West Bengal.

There was, for instance, record production of cotton yarn in the textile industry, which increased by 9 per cent in the first nine months. Production of cotton cloth from the "organised sector," as mills are popularly known, increased by just over 2 per cent, suggesting that there was a substantial increase in the production of handloom and powerloom cloth. This does not mean that the new textile policy, which gives a pivotal role to the National Textile Corporation, is yet a success.

Linchpin

But it does show that the industry which has the largest weightage in the industrial production index is functioning promisingly. Other sectors which have done well despite the constraints on production are aluminium, cooking fat, jute manufactures, fertilisers, oil and natural gas, commercial vehicles and tractors—many of which were lagging behind just a year or two ago.

Little is known, however, of the performance of the small units which are the linchpin of the Government's new industrial policy in the belief that they are employment generating. A planning commission study shows that small industries account for a third of the industrial labour force with only 6.5 per cent of total fixed capital. Units in the new "tiny" sector—with an investment of less than Rs 100,000 (£6,200)—account for 14 per cent of employment with no more than 2 per cent of the total fixed capital.

It is also estimated that investment required to create one job in the small sector ranges from Rs 4,000 to Rs 6,000; on the other hand, heavy and large-scale industry requires Rs 40,000-60,000. Yet it is also acknowledged that "sickness" and the mortality rate in the small-scale sector is extraordinarily high — although precise figures are not available since these units do not have to be licensed or registered.

Since small units die young because of the inexperience of the small entrepreneur, Mr. Fernandes' answer is the creation of the District Industries Centres (DIC), which he hopes will be established in all the country's 500-odd districts within a year. Under the single roof of the DIC, it is hoped to provide all possible support needed by the small entrepreneur, right from the project investigation stage to provision of equipment and machinery, training, credit and marketing facilities.

Much hope is pinned on the success of the DICs, and this is the reason for the speed with which they are being established. This has caused some disquiet since the Central Government is providing finance for this scheme without really starting a pilot project to determine whether it will be successful. The DICs are meant, after all, to assist the small entrepreneur to cope with his problems: the manner in which they are being spoken of gives the impression that they will be promotors of small industry, a role which is not intended for them. They are already a plethora of organisations for this purpose, both at central and state level.

The urgency is partly because the Ministry of Industry has moved briskly on the policy level. Apart from the announcement of a new integrated policy, it has reserved something like 600 sectors for small-scale units. This is a major gamble, since it means that additional capacity in these is being left to virtually inexperienced hands and amounts to a commitment to decentralise entrepreneurship as a basis for industrial development without really ensuring that the requisite infrastructural and other facilities are available. The move is in line with the socio-economic objectives of the Government and is not based on economic reasoning since a couple of years ago as many as 80,000 small units were said to be "sick."

Approach

This is being attempted at a time when the functioning of large industrial houses and foreign companies is being severely limited unless they invest in line with the Government's priorities (export-orientated units, in "backward" areas or in the "core" sector). The Government plans legislation to bar the entry of the large houses into areas reserved for the small sector. Mr. Fernandes says the Government has a two-pronged approach. In the short run, the production capacities of large manufacturers will be frozen at existing levels. In the long run, they will have to bring down the level of production progressively and ultimately vacate the areas of manufacture.

In this context, the public sector is expected to provide a degree of countervailing power to the growth of large houses. Not only is it expected to produce important and strategic goods of a basic nature; it is also to be used as a stabilising force for maintaining essential supplies to the consumer. The public sector also has the responsibility of encouraging development of ancillary industries and contributing to the growth of decentralised production by making available its technological and managerial expertise to small and cottage industries. Unfortunately, this policy decision has been taken at a time when the collective profits of the public sector have fallen sharply for the first time since it broke even five years ago.

K.K.S.

Foreign policy

CONTINUED FROM PREVIOUS PAGE

tan have been mixed, which makes them better than 12 months ago, but again the year ended on a sour note. Mr. Vajpayee visited Islamabad in February, the first Indian Minister to do so in 16 years, and after a visit to New Delhi in April by Pakistan's adviser on foreign affairs, Mr. Agha Shahi, the two countries reached agreement on the design of a hydro-electric project in the still disputed Kashmir area.

But despite other positive signs—India sent sports teams to Pakistan, Pakistan purchased wheat seed from India and both countries agreed to establish additional consulates—the old antagonisms remain. The two countries twice failed to reach a trade agreement. India was embittered by Pakistan's attempt at the UN Disarmament Conference to gather support for the idea of a nuclear-free zone in South Asia. And Pakistani statements on Kashmir provoked a strongly worded response from Mr. Vajpayee which he then had to correct.

Antagonise

Mr. Vajpayee's justification for India's controversial purchase of Jaguar strike aircraft—he said Pakistan had decided to purchase F-5s from the U.S., a patent untruth—antagonised Islamabad almost as much as the deal itself, which was plainly aimed at Pakistan. However, with the troubles in Iran and the conclusion of a defence and co-operation treaty between the Soviet Union and Afghanistan, the possibility of an aircraft deal between Pakistan and the U.S. obviously looked greater, particularly as Britain's introduction of new arms technology in the region opened the way for the U.S. to bypass its own arms control legislation.

As far as India's other neighbours are concerned, the conclusion of transit and trade treaties with Nepal has marked a significant achievement for both sides. Likewise, where there had been fears in New Delhi about Bangladesh a year ago, these have now become less obvious as the country heads for elections and in the wake of an accord over the sharing of the Ganges waters.

C.S.

Liberalised policy brings benefits

THE GROWING confidence in economic management in India has been reflected in two aspects of imports. First, there have been no foodgrain imports for the past couple of years—in marked contrast to the previous two decades when they constituted the largest single import item. Secondly, on the policy level there have been a series of import liberalisation measures announced in the past 18 months. These stem from the decision that the comfortable foreign exchange reserves should be put to beneficial use.

That foodgrains are no longer in the list of imports has provided the psychological basis for the other bold policy decisions on liberalisation. The claim that India has embarked rapidly on a course of liberalisation, in contrast to protectionism in the West, should not, however, be taken too seriously. The economy remains highly sheltered *for the most part* and exporters of common consumer goods will look in vain to the Indian market.

The liberalisation has been extended to 14 capital goods industries, many of which find they are now in a strong enough position to compete with their foreign counterparts, partly because they are helped by a relatively large 35 per cent import duty (although this is lower than the 45 per cent initially clamped).

More meaningfully, India's policy-makers have permitted imports of items that were in short supply and hence either led to price rises or scarcities that affected production and general availability. In the first category, the most prominent is edible oil; large quantities have been imported from Malaysia, and other sources to meet a basic need of the Indians. This ended a chronic shortage, and the Government is continuing imports to build up a buffer stock as a precaution against future shortages.

Such buffer stocking is being done by the State Trading Corporation which, following the misuse of import licences by *private traders, now plays* a pivotal role in making key imports of essential commodities. Another example is cement, a glut of which just a year ago has changed into a severe shortage, and the non-availability of which is now a constraint on construction of projects and private building. Heavy imports are being arranged from South Korea and other sources.

Reserves

Broadly the liberalisation policy hopes to use foreign ex*change reserves to import* raw materials or intermediate goods necessary to maintain employment, raise capacity utilisation in key industries and prevent shortages of essential consumer goods. By doing away with cumbersome import procedures, this has, in the process, led to the dismantling of a bureaucratic apparatus that was a major source of corruption—although the need for licences and paperwork has by no means been totally eliminated.

Yet the changes made have largely removed complaints by industry of needless delays. They have been designed also to help the small industrial units which the Janata Government is committed to develop. The category of "actual users" of 65 canalised (imported by State agencies) items can now get up to 50 per cent of the value of their automatic licences to make direct imports for setting up export-oriented units. The long list of items covers such items as paraffin wax, raw cashew nuts, calculator chips, TV picture tubes, caprolactum and alloy steel plates.

Furthermore, exporters of spares and components of *machine tools, internal combus*tion engines, pumps and compressors, industrial machinery, motor vehicles and automobile ancillaries and railway equipment are eligible to import replenishments at the same rates that are applicable to the respective parent product. Items of import needed by the electronics industry have been placed in the "open general licence" category, with the aim *of doubling electronics* production and exports by 1980-81.

All this means, of course, that the trade gap will rise substantially. Since exports are actually falling, the rise in imports could lead to a bill in 1978-79 that is estimated at around Rs 62bn (about $8bn). Considering the high level of foreign exchange reserves this is not excessive, especially as these are no longer creating inflationary pressures; the increase in money supply is matched by availability of goods.

The sharp rise in imports in 1978-79—by an estimated 20 per cent or more—is a calculated *risk. Some immediate scarcities* have been averted. But the real gains will come from increased production and exports when *the additional capacity* created by capital goods imports starts being commissioned after a couple of years. There are still many question marks, though. Some economists feel that an integrated policy on foreign trade growth and employment should have been worked out.

How far, for instance, does the import liberalisation fit in with an industrial *policy* that is ostensibly labour intensive? The declared policy is that there will be flexibility in the matter of import replenishments, and it has been announced that there will be "additions and alterations" (some have already taken place), depending on the progress made in India's export efforts in relation to the country's *industrial* development. This has caused some confusion about whether the development strategy will be linked to international demand or whether industrialists will be called upon to become indigenous.

There are also complaints on ideological grounds. A Communist spokesman denounced the decision to import 1.1m *tonnes of steel (now again in* short supply) and 1m tonnes of low-ash coking coal as being taken to "please Western capitalist countries." On the other hand, industrialists have sharply criticised the use of foreign exchange reserves to the detriment of domestic production on the grounds that "it is unreasonable to allow these imports on terms which place domestic manufacturers of these items at a disadvantage and prevent them from utilising their capacity fully or competing on fair terms with imported goods." This is really a demand for domestic tax relief for units long used to the shelter of import barriers.

An interesting study made recently shows that the liberalised import policy for the 14 capital goods industries has not really hampered their growth or caused unused capacity. Indian companies have won a fair share of the global tenders made in these industries, justifying the faith of the policymakers that the liberalisation of capital goods imports would not sink domestic manufacturers but spur them to greater efficiency.

Some examples are the winning of the order for the Sigrauli super thermal station by Bharat Heavy Electricals and the 500 MW station at *Trombay by Tatas (power* equipment is the main item that has been thrown open to importers in a bid to overcome a major constraint on production). Global tenders have been won also by the Mining and Allied Machinery Corporation, Bharat Pumps and Compressors and *Bharat Earth* Movers.

Substantial capital goods imports are being made, however, mainly for cement plants, steelmaking equipment, textile machinery and power generation—all areas in which modernisation and more capacity are badly needed. There has been a big increase in imports of sub-assemblies and components, and in many cases this has enabled domestic manufacturers to improve the *quality and specifications* of their products. With technology imports also liberalised, Indian companies can now upgrade their technology and equipment with only the minimum investment and thus use their capacity to produce high-grade capital goods.

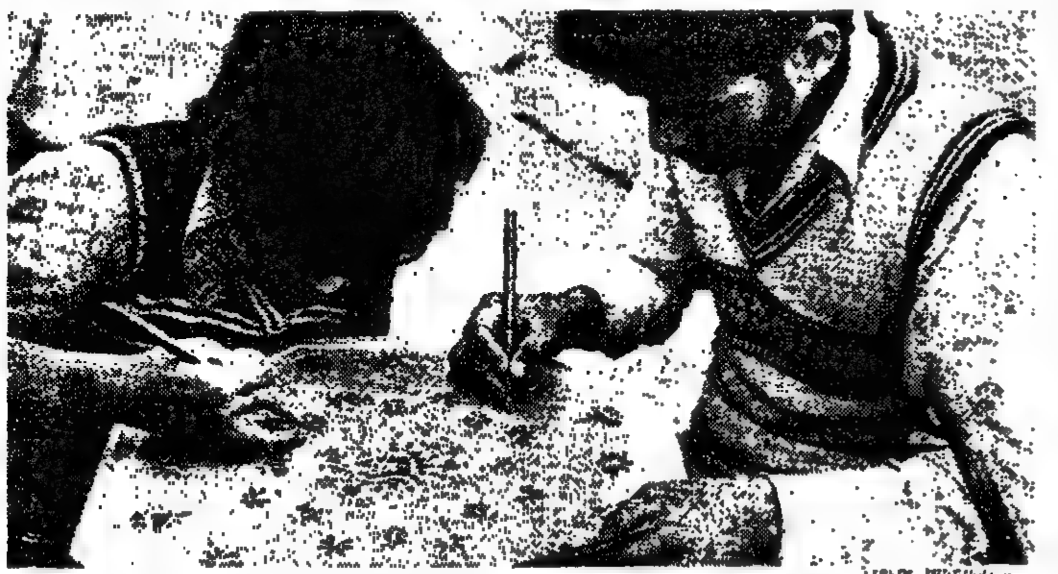
Despite the rise in imports of capital goods and some consumer goods, the major items remain industrial raw materials and crude and petroleum products. The last are rising despite the increase in internal production from offshore and on-shore fields and account for nearly 30 per cent of the total import bill. Since consumption is increasing at a faster rate than projected, this will continue to be the largest item.

Fortunately, because of good political relations with Arab countries, there is no danger to supplies, although the recent developments in Iran—which supplied 6.5m tonnes of the 16m tonnes imported in 1978—created a minor scare. Fortunately Iraq has stepped in to *fill the gap* and there is no danger of a shortage this year.

Other fast-rising items of imports are fertilisers, and these will continue until sufficient internal capacity is created. So will steel imports to counter the slow rise in production in the existing plants and the commissioning of long-gestation projects, some of which are still in the planning *stage*. That India can make these imports and face a huge trade gap with equanimity is the result of the confidence arising out of the foreign exchange reserves.

If the policymakers have calculated correctly, the heavy imports will help development and ultimately *dispense* with the need to make them after a few years. And a major side gain is that Indian spokesmen at trade negotiations abroad can flaunt a "liberalised" import policy in support of their demand that the West should not put up barriers against exports from the developing countries.

K. K. Sharma



Craftsmen at the Oswal Emporium carving a pattern into a marble table top in which semi-precious stones will be inlaid. These tables are exported to a growing number of countries

EXPORTS

Cause for concern

INDIA IS unexpectedly having to readjust to an old and bother*some fluctuation in its export* performance. After seven to eight years of steady 8-9 per cent growth both in volume and in value, despite a fall-off in world trade, last year's growth was less than expected and exports this year could even decline. By September, halfway through the 1978-79 financial year, exports provisionally totalled just under Rs 25bn (£1.5bn), whereas at the same point last year they were over Rs 27bn (£1.7bn).

Even the significance of October's figures, which showed an improvement on the 1977 level for the first time during the year, is being discounted by officials. If this does mark the start of a second-half turnround, the overall performance is quite clearly a disappointment and a real cause for concern. In fact, the October improvement is unlikely to be repeated because of the December dock strike and a strike in West Bengal's jute mills last month.

Change

Certain special factors may be important in accounting for this change, but for the most part it is quite simply the consequence of a number of customary factors operating coincidentally in the same direction. Last year's contribution to earnings from highly priced tea and coffee exports will not be repeated this year, for example, because of the comparatively depressed international markets. Cashew nuts, groundnuts and tobacco are also thought to have earned less so far this year. Similarly, the vagaries of world markets are such that last year sugar suffered amid abundant world supplies, while this year carpets are surging ahead with the withdrawal of Iran from the market.

Another significant slice of export earnings has been hit by Government economic policy and by domestic economic performance generally. Last year's tea earnings would have been still higher had the Government not imposed a ceiling. Equally, the sale of silver from stocks was restricted because of lower international prices. Vegetables were also restricted to ensure domestic supplies and maintain price stability.

The pick-up in the economy at home, along with power shortfalls, transport bottlenecks and industrial unrest, have contributed to shortages of steel, cement and coal, three items which only two years ago the country was exporting. Indeed, the Government had to step in to make sure that a cement contract with Iran was honoured by giving Iran the foreign currency to buy the commodity on world markets.

Comparatively small changes at home, especially in domestic demand, have this *enormous* impact on exports because they represent such a small proportion—about 6 per cent—of GNP. India is a continental economy, not a Sri Lanka, Singapore or Hong Kong (or even Britain) dependent on exports for survival. The Government will slow down or ban any exports it thinks necessary to ensure that domestic requirements are met, just as it is prepared to *reverse its import* liberalisation policy at almost a moment's notice for the same purpose.

Fluctuations in exports of India's non-traditional manufactured items are less apparent, although the overall performance remains mixed. Quota restrictions in the *developed countries, and* especially the EEC, the U.S., Australia, Canada and Japan, have hit exports of leather and leather products and of cotton garments. These Indian exports could do far better with fewer restrictions abroad. The Government and India's exporters com*plain bitterly about the impact* of the industrialised countries' protectionism.

Shrimp exports to Japan, on *the other hand, have suffered* from a Japanese agreement with Mexico, while U.S. health restrictions have stopped frog-leg shipments there. Reduced demand has also affected these exotic export items, just as it hit the country's chemical ex*ports. On the brighter side* gems and jewellery, both ideal small-scale industries, have responded well to external demand.

The shift away from traditional exports, to the point where they now account for less than 40 per cent of the total, is best illustrated by the remarkable success of India's engineering exports. Engineering goods have increased their share of total exports from nearly 2 per cent in the early 1960s to 10 per cent now, and appear to be maintaining their excellent growth performance despite a recent dip.

Having averaged 20 per cent growth a year over the previous 10 years (touching a staggering *80 per cent in 1974-75), earnings* from exports of engineering goods grew by just 13 per cent last year. But the Engineering Export Promotion Council is expecting about 16 per cent growth this year, despite severe problems at home caused by port congestion and by a more buoyant domestic market, both of which are tempting exporters to renege on their commitments. Their estimate may be over-optimistic.

Indian exporters have complained of protectionism on the part of the industrialised countries in this sphere as well, particularly as their earnings have also suffered because of the persistently depressed level of demand in these countries for consumable engineering goods. On top of this the many orders denominated in the dollar have produced fewer rupees as a result of the U.S. currency's decline on the foreign exchanges. This factor has also affected *other* exports.

The continued good performance of India's engineering exports owes much to the *industry's* ability to win civil construction contracts in the Middle East; providing capital equipment and doing turnkey projects. It is reckoned that countries in the Gulf, and in Africa and South East Asia as well, prefer to go to non-aligned India where in addition they might not suffer from quick western profit-reaping. But it is also recognised that these countries would prefer to have the assurance of western technology and western quality control, for which India has yet fully to establish its reputation.

Partners

As a result India is now busily looking for European partners in joint ventures, particularly as the Middle East climate for large projects begins to show signs of changing. India wants to supply software (men and expertise) as well as hardware, calculating that western skills are *tending to price themselves* out of the market, but it also reckons that these can be harnessed together with European management.

Indian exporters are especially looking to China, where they think distant Europe will not find the competition easy compared with nearby Japan, which is already assured of billions of dollars-worth of China trade. If there is to be any *breakthrough* in relations between these two countries during 1979, the benefits in respect of trade could well lie here.

India is already heavily involved in Indonesia and Malaysia in South East Asia. Indian investment in Indonesia last year was said to stand at some $78m, and the figure is confidently expected to climb to $200m next year. In Malaysia 37 of 52 joint ventures have *already started. In Africa India* is benefiting from an excellent relationship with Libya and Algeria, and sees bright prospects in Egypt, Kenya and Nigeria. One project for which European collaboration is being sought is in Tanzania: a World Bank-aided $107m textile mill *project*.

So far 377 joint ventures have received Indian Government sanction, 192 of which are already *operating* — 91 have gone into production and 101 are in various stages of implementation. Eleven of these are in the developed countries, and include hotels and restaurants, while in the developing countries they cover food processing, textiles, sugar, cement, construction, chemicals and pharmaceuticals. For the EEC countries, export targets have been fixed at $90m by March, rising to $125m by 1981. Past growth in the EEC has been fast enough—92 per cent in 1975—to suggest that these may be manageable.

In many respects the success of Indian engineering exports stems *from the country's* prodigious output of technical manpower, which is now the third largest in the world behind the U.S. and USSR. Each year the country produces 14,000 engineering graduates alone. To this extent the success of Indian exports is not simply a product of short-term Government policies like import liberalisation, which have also helped, or exogenous factors like changes in uncontrollable world markets. Generally, however, the country still has to live very much with changing fortunes when it comes to exports, making this year's pessimism very much relative to mid-1970s optimism.

C.S.

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The hungry millions multiply

WHEN THE Janata Government came to power two years ago, it was officially estimated that there were 20.6m unemployed in the country, of which 16.6m were in the rural areas and 4.1m in the urban. Projections show that the labour force will increase by 29.5m people in five years, or something like 6m a year. The Janata Government has rashly promised that it will eliminate destitution and unemployment within a decade, of which two years have gone. If anything, the employment problem has worsened.

It is a sobering fact that even if the industrial growth rate remains at an average of 7 per cent annually—and this has never been achieved—it will absorb just 260,000 of the unemployed annually. The Government has thus rightly underscored the need for employment-oriented policies through rural development and labour-intensive industry. The fly in the ointment is not formulation of policy but its political acceptance and effective implementation, and this is nowhere in sight. Even the Janata's Plan for 1978-83 remains stalled and its draft is unlikely to be approved before March or April.

In the meantime, the population continues to rise by well over 2 per cent annually. Reliable figures are not available and the exact number of India's teeming millions will be known only after the next census in 1981. But since birth control has not been one of the successful programmes, the population could today be anything between 650m and 680m. The alarming point about this is that not only does the growth rate show no sign of falling but that malnutrition remains widespread despite the attempt to extend health services and increase consumption. No dent has been made in the problem of people below the "poverty line," somewhat arbitrarily defined as income below Rs 80 ($10) a month. About 40 per cent of the population remains near starvation level, or something close to the staggering figure of 280m.

If economic growth is slow, the other method to improve living standards is to check the population growth rate so that availability is concentrated among fewer people. It is now officially admitted that "family welfare," the euphemism for birth control, has lost the momentum it gathered in two decades. The birth rate is estimated at a high 3.4 per cent; *far from the "target"*—the word is again being used—of 3 per cent, which itself is by no means low. The gains of economic growth are thus fast being eroded by the growing population, while birth control suffers on account of political vacillation. There has been no Minister of Health and Family *Planning since Mr. Raj Narain* quit the Cabinet last July.

Not that Mr. Raj Narain was particularly effective. Indeed, by his talk of indigenous *systems of birth control*, he became the subject of ridicule, and wags started saying that family planning was suffering as much from the "Raj Narain effect" as it did from the "Sanjay effect." This is not being entirely fair to him since the fatal blow to family planning was dealt by Sanjay Gandhi and his forcible sterilisation programme during his mother's Emergency rule. The programme has still to recover from the setback it received then.

As Mr. *Kavoori*, executive director of the Family Planning Foundation, put it recently, the Emergency meant not so much setback to the programme as a *change in the nature* of the problem. It is no longer individual taboos which have to be overcome but a complex collective resistance which the politicians do not quite know how to overcome. This is the real measure of the damage done by the Emergency, which frittered away the gains of two decades of effort. Before the emergency, family planning did not enter the calculations of political survival as they now do. The Janata Government has been forced to let the family planning programme slide since the scars of Sanjay's forcible sterilisation remain.

Things are such that officials fear that the birth rate will go up rather than down if the present trend continues. It may reach 3.5 per cent instead of coming down to 3 per cent by 1983, as the Minister of State for Health, Mr. J. P. Yadav, recently admitted. In 1978-79, for instance, plans were to bring 8.6m people under various family planning schemes. So far just a seventh of this has been achieved. During this period, it was hoped to sterilise 4m people; up to the end of November, the number sterilised was just under 650,000. This is a repetition of the progress, or lack of it, made in 1977-78.

Mr. Yadav *admits* that the "overall" performance picture continues to be unhappy despite all the efforts that have been made to put the programme back on the rails. With compulsion ruled out, it had been hoped that with the repeated commitment made by the President and the Prime Minister to family planning, the country would least accept various other methods of contraception. Unfortunately, even this has not happened. Doctors have been found to be as inhibited as others in suggesting birth controls, and they were considered to be the best "motivators." Their hesitation is also linked to the stigma they earned during the Emergency.

A slight improvement is that the programme is now officially back in favour—one sign is the replacement of the euphemism "family welfare" by family planning. January was observed as "Family Planning Month" as a part of official programmes associated with the Year of the Child. Efforts are being made to give incentives to doctors and to associate groups like trade unions, the organised sector of the economy and private groups. The State Governments are raising "incentives." Madhya Pradesh, for instance, has increased the amount paid to people volunteering for vasectomy and tubectomy operations from Rs 70 to Rs 125.

The age for marriage is to be raised to 18 for women and 21 for men. If a woman has her first child after 21, she will be *entitled to a gift of Rs 100*. If the second child is born after an interval of four years, and if the couple accept some method of birth control, they will then get another Rs 200 (in addition to the Rs 125 they can expect if one of them is sterilised). People who "motivate" others to be sterilised will get Rs 15 for each vasectomy and Rs 10 for each tubectomy operation. This is a significant step forward, because such "motivation" was widely misused during the Emergency and made sterilisation a greatly feared operation.

After some prodding—including an urgent message from J. P. Narayan—the Government is showing welcome signs that India has no alternative but to decelerate the birth rate sharply. Mr. Yadav says that the target is to achieve 25m sterilisations in the next five years, which means roughly an increase to five times the present rate. In view of the suspicions over sterilisations, particularly in the Hindi-speaking northern States, where Mrs. Gandhi's Congress Party was wiped out in the 1977 *general election* just because of her son's activities, this seems an impossible target. Yet the fact that the Government is no longer afraid to use the word "target" in this context is hopeful.

In fact, one of important measures taken by the central Government is the instruction sent to the states that they must assign "targets" to field workers, including doctors, and not just "levels of perform*ance*" *as they were asked to* achieve after the emergency. It has also told the states that as much as 8 per cent of financial assistance to them for development will be linked to their "performance" in the field of family planning. The states have been asked to revive "sterilisation camps," when *family planning fortnights* are observed, but how far this will be carried out remains to be seen since it is reminiscent of the emergency.

Privately, some Ministers even say that eventually some kind of compulsion will have to be resorted to, although they are unwilling to say so openly. Such attitudes could, however, retard the programme since there is already the phenomenon of a collective resistance to tackle. What is also disconcerting is that the central Government is leaving the programme almost entirely to the states, and certainly the answer does not lie in passing the buck. As a family planning expert says, the least the central Government can do is to work out a truly national programme, complete in terms of the goals to be adopted, the funds available for it and the suggested means for the realisation of targets. Only then will it be possible to achieve the theme of the family planning month: "Delay the first, space the second and stop the third."

K.K.S.

FLOODS

The waters roll on unchecked

FLOODS BRING devastation and tragedy every year to northern and eastern India, and it is remarkable how quickly they are forgotten. Flood control measures have been taken since 1954, and yet when the annual visitation comes there is an air of total bewilderment in officialdom. Just as surely as floods will come after a plentiful monsoon so will there be fresh plans for flood control, new arrangements for relief, promises of higher outlay on dams and embankments.

Last year's floods were undoubtedly the worst the country has experienced in living memory, and the States affected are still recovering from them. At a conservative estimate, about 2,500 lives were lost, 67m people were affected, 21m head of cattle died, 3.3m homes were washed away and 9.2m hectares of crop land were submerged.

West Bengal was the worst affected. Swept by three waves of floods in less than eight weeks, nearly threequarters of the state was under a vast sheet of water for nearly a month. The damage is estimated at nearly Rs34bn. The magnitude of the Bengal disaster is such that it eclipses the enormous damage in other northern states like Uttar Praedesh, Bihar and Delhi earlier in the year and Tamil Nadu just last month.

Predictably, the central Government's response was to express concern over the amounts demanded by the states for relief, with West Bengal alone seeking Rs3.5bn. Even though the heavy expenditure of Rs4bn was eventually disbursed among the affected states which suffered damage, this was not nearly enough. Indeed, many of the states argue that this will affect their future development, since under the formula for assistance to areas hit by natural calamities, disbursements come as "advance plan assistance" and thus use up central aid for development programmes before it is actually due. The formula has now been revised, but the new dispensation will come into effect this year and much irretrievable damage has been done.

The pity is that the tragedy could have been at least partly avoided if the Government had only fulfilled the lofty promises made over the past three decades. It has been known for some time that about 25m hectares are subject to annual inundation, that the yearly damage from floods is of the order of Rs 18bn (£1.1bn) the aggregate loss up to 1975 being a formidable Rs 369bn (£22.9bn). An awareness of the dimensions of the disasters prompted the creation nearly three years ago of a National Floods Commission. This was expected to take into account conditions in the Ganges and Brahmaputra basins, suggest short-term preventive measures and draw up a long-term plan *to correct the imbalance of* nature. This can no longer be ignored, since water management is vital in a country which suffers from both drought and floods, *sometimes in the* same year.

After last year's disasters, there has been some speed in formulating plans for flood control. While the recommendations of the Flood Commission are awaited, a working group has quickly worked out schemes for the most prone areas. These involve the heavy expenditure of Rs 172bn (£10.7bn) more than double that provided for in the Draft Plan for 1978-83, at a time when the pressure on scarce resources for other development schemes is great. It also faces the usual hurdle that for the moment there is no pressing need, since the next floods are still six months away and politicians are preoccupied elsewhere.

Decisions

But clearly something on this scale is needed and, given the political will to take unpopular decisions, there should be little difficulty in enlisting the support of the World Bank and other international agencies to make what is, after all, an investment not only in development but avoidance of human tragedy. The World Bank has expressed its readiness to help, but political considerations arising out of the dispute with Bangladesh over sharing of the Ganges waters is blocking a decision.

The working group has suggested integrated development of the Indo-Gangetic basin covering the northern States, and it wants its proposals to be implemented within five to seven years. Eighteen flood-prone river basins have been identified. The report envisages protection of 5.5m hectares from floods by engineering works and coverage of 3.36m hectares of catchment of flood-prone rivers with soil conservation and afforestation and ancillary works during the *current Five Year Plan period*.

Considering that the problems of floods has been studied for nearly three decades and the first control measures were included in the Five-Year Plan, the achievement is pitifully small. Less than 8m hectares out of the 25m hectares liable to floods have been protected with a nominal expenditure of just Rs 400m by the States since 1954. This despite the present assessment that of the 25m hectares liable to floods as much as 20m hectares can be protected.

Surely India cannot afford to get by just on the expensive and ephemeral relief measures which contribute nothing to growth and are needed only because the basic problem of water management has been ignored? Unfortunately, the visionaries are now no longer vocal. The former Irrigation Minister, Dr. K. L. Rao's ambitious scheme for a national water grid with a 2,000-mile canal from the Ganges to the Cauvery to transfer surplus monsoon flows to arid zones through a combination of pumped and gravity channels and making use of natural courses and existing or proposed reservoirs has been forgotton.

Revised versions have since been suggested by private engineers in Bombay and Bangalore, and the Prime Minister has spoken enthusiastically of the "garland scheme," which hopes to establish a ring of harnessed water around the country. These are expensive and tend to get pushed back by schemes that yield quicker results, but sometimes it is better to look for long-term gains—*especially* if it will help to avoid bringing millions under water again.

K.K.S.

Relations have often been strained between India's widely differing states, on one hand, and between the Central Government and the various state governments, on the other. Here, and on the following seven pages, Financial Times writers examine the prospects and problems of four states of the Union.

Demand for more autonomy

A GROUP of Nagas recently crossed into the neighbouring State of Assam in the mountainous north-east region of India and killed more than 50 Assamese.

This action had nothing to do with the secessionist demand *in Nagaland* which was abandoned some years ago. The clash was over "disputed" territory on the "undemarcated" boundary with Assam and was ominously reminescent of a border quarrel between neighbouring countries.

Last month, there was a bitter row between a group of six relatively developed states and a group of eight "backward" states in a committee of the *National Development Council*, the supreme economic decision-making body in India.

The issue this time was the sharing of what, in the context of India's huge Rs693bn sixth plan for 1978-83, is the relatively paltry sum of Rs2bn of Central Government funds.

The confrontation was very much like a miniature north-south dialogue and held up finalisation of the country's development plan.

Late last year, the Tamilnadu Government in southern India curtly sent back unread a communication from the Central Government because it was written in the Hindi language, unaccompanied by an English translation.

Hindi is India's official language but because of bitter and emotional linguistic quarrels and southern fears of "*Hindi imperialism*," English has been given the status of an "associate official language" as part of a complex "three-language" formula. The southern states still prefer to use what is a foreign language, in place of Hindi.

These are just three examples of recent strains in relations among different states, on the *one hand*, and between the Central Government and state governments on the other.

India's constitution provides for a "union" of states and not a federation. The difference is important because a "union" implies there is a single entity composed of various constituent units with clearly defined powers and a strong "union" government with residuary powers and not just a "federal" government with limited functions.

This is, of course, an over-simplification since India's elaborate constitution has divided Governmental functions into three lists—central, state and "concurrent"—and it has often proved difficult for the states to carry out their duties because of their limited revenue-raising powers.

The delicate balance between central and state powers, envisaged in the constitution, has not always worked. In the past 30 years, the Union Government has frequently used its discretionary powers to dismiss what it thinks are recalcitrant or incompetent or even inconvenient state governments.

This was possible for three decades because the central Government, dominated by the Congress Party with either the domineering Mr. Jahwarlal Nehru and Mrs. Indira Gandhi at its head, was considered "strong."

The situation has altered materially in the past couple of years for two reasons. First, the Janata Government at the Union level has been ineffective because of internal quarrels and because of the deliberate decision that it would not unduly interfere in the states' domain.

Secondly, parties with a national base no longer rule either at the centre or in the states.

With the emergence of regional parties, local forces and pressures have strengthened suddenly so that it often appears that the "union" of India is threatened with disintegration.

Latent

The threat was always latent. Because of India's territorial expanse, it is not wrongly described as a subcontinent. Many of its 22 states are bigger in size and population than some other countries. Each has its own customs and traditions—often complicated by sub-cultures—and their differences are exacerbated by linguistic difficulties.

India has 17 officially-recognised languages and so it lacks even the unifying link of a larger country, such as China. Consciously, state boundaries were redrawn in 1958 on a linguistic basis as far as possible and this has made the evolution of a national identity and ethos more difficult.

The creation of linguistic states meant, in effect, that they would be encouraged to perpetuate their separate indentities. Simultaneously, they were to be part of a national mainstream. This apparently contradictory requirement created strains in the past but never reached critical point because of the dominance of a single political party for three decades while the aspirations of politicians to national position naturally led to power gravitating towards a strong centre. This is no longer so.

Demands for greater "state autonomy" have come from many quarters. From Kashmir, Sheikh Abdullah has advocated that the special position given to his state in the constitution should be extended to others.

He has held meetings with his Marxist counterpart, Mr. Jyoti Basu, in West Bengal. Both have made contacts with other chief ministers of states not ruled either by the Janata or the Congress, the only two parties—with—a doubtful claim to be "national" parties (doubtful because the Janata has no representation in the south and the Congress is in power in just Karnataka and Andhra).

State autonomy has many aspects and its proponents have sought to disguise it in various garbs. One of its main spokesmen, the fiery and articulate Marxist Finance Minister of West Bengal, Mr. Ashok Mitra, recently wrote with great eloquence: "Who can deny that alongside with his Indian ethos and consciousness, each citizen of this great country also carries with pride and joy the consciousness of a separate linguistic-cum-cultural ethos which can be described as the consciousness belonging to a nationality. Woven into the tapestry of the Indian nation, there is at the same time a Malayalam consciousness, a Gujarati consciousness, a Tamil consciousness, and so on."

There are people in other states who feel much the same, although the answer to this has always been that there is a unity in India's diversity.

The truth is that behind the demand for greater state autonomy is resentment at the fact that the Central Government holds the purse-strings. The demand for autonomy is really at least for present, that for more fiscal powers. The states' have a great deal of responsibility and this increased with the allotment of more of the country's development plan—especially on rural development — to them.

Their political future *depends on making a success of* this. But they lack sources of revenue, and the luxury of deficit financing, which took the form of overdrafts on the reserve bank, has now been denied to them.

The states have always had to come to New Delhi for handouts and, according to Mr. Mitra, this power has been used "for blatantly political purposes" and to "buy out dissent." This rankles and it is hardly surprising that when the Akali (Sikh Party) Chief Minister of Progressive Punjab *recently* found himself threatened with the a cut in central assistance, he spoke immediately of doubts whether his state was part of the (economic) planning mainstream and threatened to opt out of it.

The states have a strong case. The constitution has given them duties and obligations but kept the main taxation sources with the central government, including income tax, excise duties and customs. They allege that the sharing of the revenues collected by the centre for them on the basis of a statutory finance commission appointed every five years has been so manipulated that the centre manages to bag vast sums that should rightly go to the states.

The recent report of the seventh Finance Commission, which will cover the next five years, gives the states more than they have ever had—but even this has not succeeded in silencing them. They still want *a bigger slice of the sixth five* year plan and the funds to implement it.

This has stalled finalisation of the plan for more than a year and there is no certainty that it will be adopted in time for the next annual plan due to begin in April.

Another divisive factor is the *new confrontation* between the developed states and the developing (this does not include the eight "special category" states in the hilly border regions where just 5 per cent of the population lives and which get 30 per cent of the funds earmarked for development through central assistance). They are scattered all over the country and, compared with world standards, all are really poor. It is, therefore, ironical that they should squabble or gang up for a share of the national cake.

Where the states have no quarrel is on their feeling that the powers of the Union Government for political interference should be severely curbed. What they fear most is the weapon provided by the constitution for dismissal of state governments by the President, on the advice of the Central Cabinet, if it feels that the constitutional machinery has broken down.

This action was used freely both by Mr. Nehru and Mrs. Gandhi when non-Congress governments came to power in the states. The Janata Government had no qualms over using it to dismiss the Congress state governments in Northern India soon after it swept to power at the centre in 1977, so its record is not exactly clean. That it has not repeated this is, at least, partly due to its own weakness.

A weak central government has also meant increasing violence in the states. Law and order is a state subject, but the centre has vast discretionary powers including deployment of its own police forces (although this is legally possible at the state government's request).

The large central forces have remained largely idle and many voices have been raised in support of a "strong" Government at New Delhi. These are not untenable, since the constitution provides for firm guidance from the centre while allowing states considerable freedom.

There cannot be any final answer to the problem of centre-state relations and tensions. Certainly, it must now be recognised that India has entered an era of a plurality of parties and that, even in New Delhi, it is really a coalition with all the limitations this entails, that is in power.

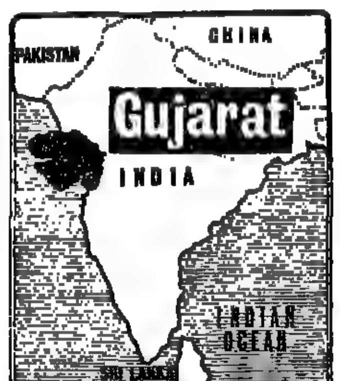
This requires more tolerance and willingness to make adjustments, a give-and-take, through constant dialogue, if the country is to be kept together in the face of the new internal pulls and pressures that have emerged. This is possible if all concerned recognise that irritants and conflicts are inherent when the political complexions at the centre and the states are different.

K.K.S.

GUJARAT

Great strides forward

TO MANY westerners Gujarat will mean nothing compared to the better-known Punjab or West Bengal. Its main city, Ahmedabad, though 2m strong, will conjure up little next to the more famous conurbations of Bombay or Calcutta. But its people are better known than is realised. Gujaratis live in more than 40 countries of the world, and are spread widely across other parts of India as well. The Patels, Desais, Mehtas and Shahs—names familiar to many westerners—all came originally from Gujarat.



Gujaratis are proud of this peripatetic quality. Legend even has it that it was a Gujarati who showed Vasco da Gama where he could discover India. Certainly Gujarati entrepreneurship is said to be inspired by the adventurousness which spawned the old sea-faring and trading ways. And this enterprise, Gujaratis will tell you, is the secret of the state's economic *progress*.

Most Gujaratis abroad retain close links with the community at home, both through the vital medium of the Gujarati language and the more tangible means of remitted money. But the bullish view of the future does not extend to politics. Since the late 1960s there has been no "natural" governing majority in the state, and more recently the Janata-based government there has reflected Janata's wavering resilience at the national level.

Just like the 75-foot high Shaking Towers of a 420-year-old mosque in Ahmedabad, where if one minaret is shaken the other inexplicably resonates with it, so in mid-January the tower of the ruling Janata Party in New Delhi was shaking with the Morarji Desai-Charan Singh *confrontation*, and *Gujarat's* Janata-based Government was reverberating on the verge of serious trouble as a result.

As often in India such political preoccupations threatened to hamper development, which in Gujarat has gone further than in most states. Gujarat is now India's fourth state in terms of income per head and output, behind Maharashtra, the Punjab and Haryana. *At the moment it is* probably second in terms of industrial activity. In Bombay—where most of the industry is controlled or run by Gujaratis—some industrialists reckon Gujarat is probably the only state which is genuinely growth-orientated.

Gujarat's drive for development owes as much to practical economic and political factors as it does to Gujarati talent. The *state has derived enormous* benefit from simply being the hinterland of the Bombay industrial complex. It has a traditional artisan population. And its economic base in cotton has been a sound one: textiles remain a product for which there is international and domestic demand and, equally important, workers in the 75 mills of Ahmedabad—the "Manchester of India"—do not strike.

This is because Gujarat is also Gandhi country. It was from Ahmedabad that Mahatma Gandhi launched his famous movement in 1930 against the British imperialists, and the hut and grounds from which he organised this agitation are now greatly revered. But among his other remarkable achievements, Gandhi instilled a new labour philosophy into the area's workers, most of whom had benefited directly from his earlier "Ban British textiles" campaign.

The result is Gujarat's extraordinary industrial relations record. Arvind Buch, the leader of the key 125,000-strong Textile Labour Association, sums it up neatly: "The strike is like an atom bomb—it is a weapon to be used sparingly." This attitude has percolated elsewhere, making the area something of an attraction for businessmen hit by persistent strikes in Bombay.

Not that things are perfect on the labour front in Gujarat. One of the country's major private sector exporters of engineering goods, Gujarat Steel Tubes, is still struggling with the legal consequences of a protracted strike in 1973. And Ahmedabad's banks were among the worst hit in the country recently when bank employees went on a nationwide go-slow.

Gandhi is one, if the most *famous, of three well-known* political sons of Gujarat. The second, the late Sardar Vallabhbhai Patel, might have become India's first Prime Minister had Gandhi not chosen Nehru for the task. At Gandhi's insistence he co-operated with Nehru as Deputy Prime Minister.

The third, Morarji Desai, became Prime Minister in March 1977 after Janata's sweeping *electoral* victory over Congress. Ironically, Morarji's clash with Charan Singh over the past year in Delhi is with a man who thought he would have stepped into Sardar Patel's shoes as Prime Minister had Gandhi not chosen Nehru.

The Janata movement, which Charan Singh believes he should have led also, partly originated in Gujarat, another feature for which the state is well-known. It agitated against direct rule from New Delhi and won its demand for state elections in June, 1975, and as a result of its arrival in power (with the help of a supporting independent group) the state remained in opposition hands for more than half the period of Mrs. Gandhi's Emergency, until the alliance was broken.

Gujarat's experience of the Emergency was thus unique, and the *state suffered fewer* of the excesses which gave that period such a bad name. This is one reason why a surprising number of people can be heard hearkening back to the days of the Emergency as a period when everybody—Government, administration, business, workers, the Press—worked more efficiently and responsibly.

Inasmuch as they now see a return to the familiar days when performance fails dismally to match promise, they believe Gujarat reflects the problems at the national level. In fact the lack of a clear majority in Gujarat makes the position more delicate. The state faces elections in March, 1980, before any other. Recent developments suggest this first true large-scale electoral test for Janata since 1977 could come even earlier.

Crucially, Charan Singh has won over a key figure in the Janata alliance, a former Chief Minister named Chimunbhai Patel, and was due to speak at two rallies in the state at the end of January in a clear attempt to gather support in Mr. Desai's own state. The calculations were that if Charan Singh left Janata, or Mr. Desai resigned his office—both real possibilities in mid-January—the consequences would be felt in Gujarat first and would favour Mrs. Gandhi's opposition Congress Party.

Gujarat's Chief Minister, Mr. Babubhai Patel, feels there is too much emphasis on the whole matter by the Press and others, and that the lack of a proper perspective regarding the Government's achievements is psychologically unnerving for people. Speaking in his office in the state capital, Gandhinagar, a "garden city" north of Ahmedabad, he reels off impressive statistics showing how much his government has done to build roads, electrify villages, provide drinking water and expand irrigation.

Message

As at the national level, though, the message appears not to be getting across. Critics say there are no independent statistics, and suspect that the government's idea of electrifying a village is often simply extending transmission lines to the village boundary, where only someone with any purchasing power can use it. But nobody doubts that Janata's emphasis on agricultural and small-scale industrial development is essential to create jobs.

Another complaint is over poor lobbying on behalf of Gujarat in Delhi. Apart from the Prime Minister, the Finance Minister, the Vice-Chairman of the Planning Commission and the Governor of the Reserve Bank are all Gujaratis. But businessmen say that Morarji Desai, in particular, has done positive harm by bending over backwards to ensure that he does not favour Gujarat.

Ahmedabad is, however, becoming a centre where important national bodies are located. Among those established in the city are the Indian Institute of Management, the National Institute of Design, the Physical Research Laboratory and the Indian Space Research Organisation, all of which contribute to a growing reputation as a centre of scientific excellence. There is even a Community Science Centre which would be the envy of any major western city.

All told, Gujarat suffers serious problems of poverty, joblessness, underemployment and inequality, but it displays few of the tendencies to violence and social tension to be found elsewhere. But if great strides have been made, as most Gujaratis insist, they also acknowledge that the state's enormous potential is going unfulfilled because of political inertia.

C.S.

Economy looking up

Mr. Babubhai Patel, Chief Minister of Gujarat

GUJARATIS have mixed feelings about their State's economic achievements. Some prefer to see it as the seventeenth least poor rather than the fourth richest. Those who marvel at how much has been done must face others who stress how much there is to do. But all believe success breeds success and that the economic prospects are brighter there than in most parts of India.

Already Gujarat is one of the industrial power houses of the Indian economy, although there are few State-by-State figures to prove it. Apart from Ahmedabad's textile mills, which produce nearly 25 per cent of the cloth manufactured by Indian mills, the State has developed industries over the past decade or so in the fields of petrochemicals, chemicals, fertilisers, pharmaceuticals, dyestuffs and engineering.

But while some 28 per cent of Gujarat's 27m population is urbanised — 8 per cent more than the national average—54 per cent of the people living in the towns are below the poverty line, as against a national average of 51 per cent. In the rural areas the figure is almost as high, at 46 per cent (national average 45 per cent), and this soars to 75 per cent in the eastern hills inhabited by the State's large tribal population.

Paradox

Given that Gujarat also has commercial non-food crops of cotton, tobacco, sugar and groundnuts, and newly-discovered natural resources of oil, natural gas and minerals, it is one of the States which neatly illustrates India's ultimate paradox: it is both very rich and very poor. To help unravel the contradiction the Janata-based State Government is following its counterpart in New Delhi by trying to develop the infrastructure, small-scale industry and agriculture of the rural areas in an attempt to create jobs and purchasing power among the poor.

So far it claims to have achieved a good deal. Comparing his Government's first year in office to the last year of the previous one, Mr. Babubhai Patel, Gujarat's Chief Minister, says three times as many villages were given drinking water, twice as many were electrified and three times as much money was put into roads.

The leeway to be made up remains large, however. Only a third of Gujarat's villages are connected by all-weather roads, a mere 45 per cent of all villages have electricity, and just a quarter of all wells are electrified. There is a huge need for irrigation: more than a third of the State is prone to recurrent drought, and only a sixth of its cutivable area is under irrigation.

This figure for irrigation will change dramatically over the next five to 10 years now that agreement has at last been reached with the neighbouring States of Madhya Pradesh and

Mr. Dineshbhai Shah, Gujarat's Finance Minister

Maharashtra on the World Bank-financed Narmada Dam. The dispute over the ambitious Rs15bn project lasted 20 years and, because it involved the size of the area to be flooded by the lake, came to focus on the height of the dam wall.

Although a compromise on the matter has been reached (the wall will be 460 feet high), Gujarat's agricultural output has undoubtedly suffered by the delay. Now 4.5m acres will be brought under irrigation—more than the whole area presently being irrigated in the State.

The project may also make a dent in the vast number of unemployed among Gujarat's 2m landless labourers, as well as give a boost to the State's agricultural output. Gujarat produces about 30 per cent of India's cotton and over 20 per cent of its groundnuts, and production of both has increased at faster-than-national rates over the past 15 years. The same is true of foodgrain production.

Inevitably the State wants more development projects than it has the money for. "Our requirements are far greater than our resources," says Mr. Dineshbhai Shah, Gujarat's Finance Minister, "and we have to set priorities. At the moment irrigation is more important than roads." But if development budgets are therefore in deficit, the State's revenue account is usually balanced easily, with sales tax the main source of income.

As part of its development strategy the government has devised a package of financial incentives to attract industries into rural area growth centres rather than along the 500-km ribbon of development between Bombay and Ahmedabad. Cash subsidies, sales tax exemption and interest-free sales tax loans are offered to small, medium and large-scale industries, but the criteria of eligibility are strict and businessmen complain that the measures are inadequate for the task.

In terms of general industrial activity Gujarat and Maharashtra stand out as the most buoyant States. In the 18 months since April 1977 they are said to have received 42 per cent of the 640-odd industrial licences issued, well over 300 letters of intent, and over 50 per cent of the loans and disbursements from Government financial institutions.

How far this activity is actually in line with the Gujarat government's own economic priorities is unclear. It says that District Industries Centres—which are supposed to be the driving force behind Janata's "small is beautiful" strategy—have been established in 10 of the 19 districts of Gujarat. But while training of officials is going ahead at the Indian Institute of Management, for example, the whole idea is regarded with scepticism because of the practical problem of persuading people to work and live in the rural areas.

One highly successful small-scale industry has been diamond cutting, with much of the product going for export. Indeed, in export terms generally Gujarat is one of India's most successful States, although the export processing zone at Kandla is widely acknowledged to have made little progress.

Ignored

The Gujarat government tends to feel rather ignored by the central government and would certainly like to see more investment in the State by New Delhi. Barring activities by the oil-related agencies following the discovery of oil in the State, the government says there are "hardly any industries worth the name" under the aegis of the central government, and clearly believes it has not had a fair deal in the matter of public sector investment.

Having missed out on the machine tool industry and a security papers factory, the hope now is that there will be central investment in maritime industry. The government expects a shipyard in Hajira and would like to see a new port developed to complement Bombay. It reckons there could also be an alumina plant and aluminium smelter to exploit the State's bauxite deposits, and greater help from New Delhi towards the State's infrastructural investment, particularly in roads.

From the viewpoint of businessmen the big attraction of Gujarat is the State's generally good labour relations. In a country where labour problems are perpetually troublesome (save during the Emergency), Gujarat stands out like a haven of peace. Although it is affected by nationwide strikes and by unavoidable local problems, the State's record is for the most part envied elsewhere.

On the other hand, supply constraints are hitting factories in Gujarat as much as in other States. Shortages of power, of available railway wagons, coal, cement and steel are all hindering growth, and although a comparatively liberal import policy is helping to alleviate the problem the process is far from speedy.

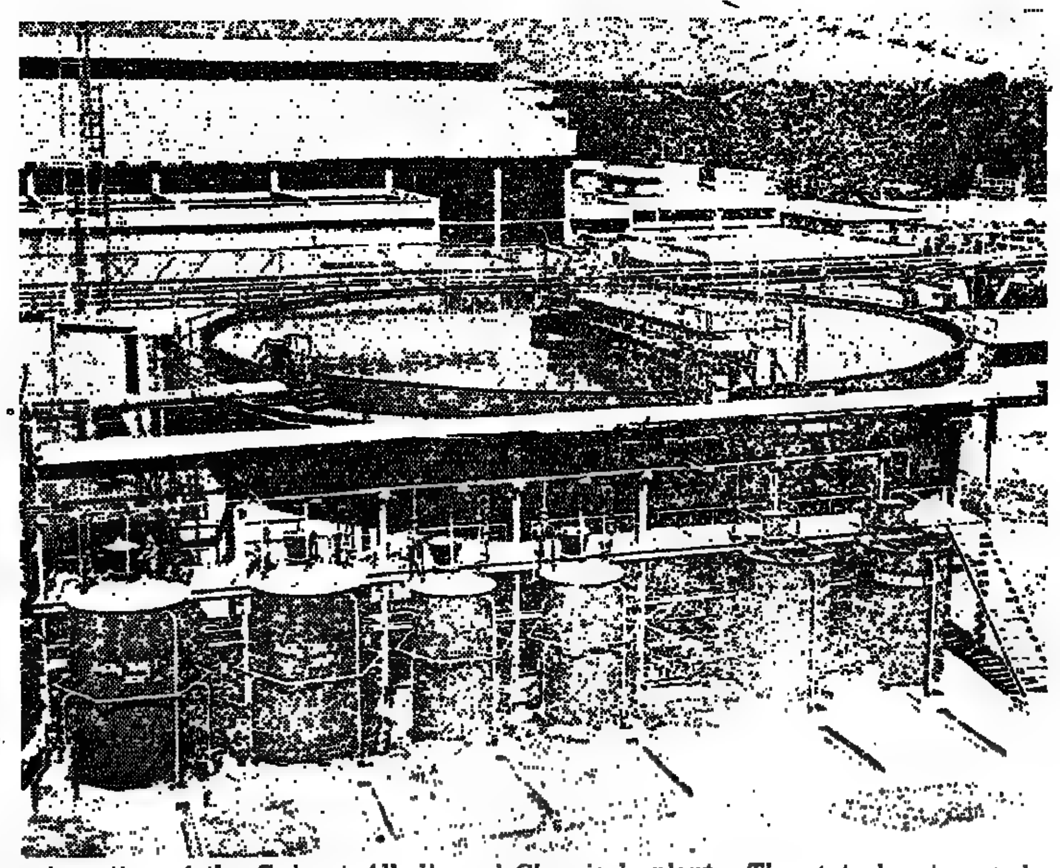
In the case of Gujarat Steel Tubes, for example, which is the country's largest producer and exporter of steel pipes, a breakthrough deal with the People's Republic of China—the first of its kind between the two countries — has been severely affected. Having contracted to deliver 29,000 tonnes of steel tubes in six months, the company suddenly found itself facing an unexpected shortage of rolled steel at the beginning of 1978. It was only in October that the Government made arrangements to import. By that time prices were high, and China is now receiving delayed but inexpensive steel tubes.

But Gujarat's real economy is not to be found in such accounts. It is to be found among the self-employed garment dealers, handcart pullers, vegetable vendors and junksmiths who earn anything between Rs 50 and Rs 300 a month, or out in the fields among the landless labourers working on someone else's soil or on public works in exchange for food.

It is also to be found in the altogether more sophisticated "parallel economy"—in the market for smuggled electronic goods and alcohol, in the cash premium on goods temporarily in short supply, and in the kickbacks and corrupt payments made in "black money."

In Gujarat as elsewhere it is these activities which belie the statistics that 1.1m people are "employed" or that agricultural activities contribute less than 40 per cent to the State's domestic output. And it is these which keep Gujarat's economic wheels well-oiled.

C.S.



A section of the Gujarat Alkalis and Chemicals plant. The state has invested heavily in the chemical industry during the past decade

PROFILE: ARVINDBHAI BUCH

ARVINDBHAI BUCH is quite clear about the task facing him as head of one of the best organised trade unions in the country: "The best labour leader, like the best doctor, is one who doesn't let his patients cry." But he is even more certain of his over-riding objective: "I am not interested in socialism if it has priority over unemployment."

At 58 he is a trade unionist to the core, having spent most of his working life with the Textile Labour Association, including 20 years in the complaints department. He and his 125,000-strong union have been moulded in the Ahmedabad textile mill environment which Mhatma Gandhi used as a laboratory for testing his trade union techniques.

The principles they follow are therefore simple. Workers and leaders must make reasonable and just demands, insist on the minimum and be prepared to compromise. The strike is the last weapon in the worker's armoury, to be used only when every other avenue has been tried. If it is used, there should be no reliance on funds from elsewhere. Above all, the struggle for justice should be peaceful and non-violent, even under provocation.

Local businessmen vividly recall that a few years ago, when there was a "people's agitation" in Government offices and Gujarat was virtually closed after smaller unions all called their people out, the textile workers went right on working and the mills stayed open. The event has become part of history.

Arvind Buch maintains close touch with high and low. Trade unionists from abroad, ministers and officials from New Delhi and businessmen from Ahmedabad beat a well-worn path to his door. All learn something from him. Workers from 75 local mills also clamour to see him—and he learns from them. He says he depends on them to keep an eye on his own 200-strong union staff: "It is the workers who educate us."

Gandhi's aim was always to create organised strength, so Arvind Buch does more than represent textile workers. He is in the vanguard of an incipient movement to organise the three great unorganised groups of workers in India: women, youth and landless agricultural labourers.

"I am the only male working for the women's liberation movement in India," he claims stoutly. As president of the Self-Employed Women's Association in Ahmedabad, which he helped to found, he probably is. "There are 20,000 women performing some economic activity in Ahmedabad," he says. "They are selling fish and vegetables, pulling hand-carts, collecting junk. They are the great economic force in the poor family, and no notice is taken of them."

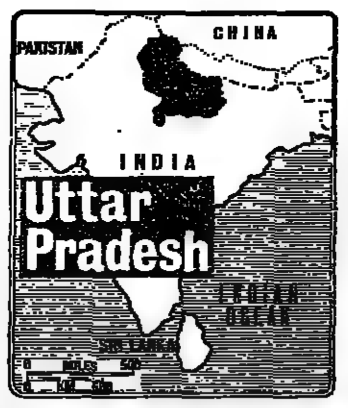
He has therefore helped set up a working bank for them. The bank, in the TLA building, pays 8½ per cent on deposits, which are put in a nationalised bank at 10 per cent. It lends, maybe Rs 100 or Rs 200 at a time, at 12 per cent—a rate hundreds of times lower than that available from the hated money-lenders. He wants 1,000 better-off women to deposit Rs 1,000 each for three years to make the bank work even better.

Arvind Buch's help for youth is just as radical. Its problem is educated unemployment — a shortage of jobs for those with some education but no technical qualifications. His proposal: blue collar jobs for white collar persons. The experiment embodying this is called YES, for Youth Employment Service.

The next step is to tackle the problems of the landless labourers. Arvind Buch is under no illusions about the enormity of the problem before him. That is why he says he doesn't care what government is in power as long as it tackles unemployment. He believes poverty is a challenge to the trade union movement. And he has the inner strength of all real Gandhians to face that challenge until the day he dies.

C.S.

Unemployment brings mounting tension



WITH A population of 100m, Hindi speaking and the heartland of the Hindi belt of Northern India, adjacent to the federal capital of New Delhi and watered by the country's two holiest rivers, the Ganges and the Jumna, the state of Uttar Pradesh feels that it is the most important in the union. Though there have been occasional attempts at break-away movements within the state to carve it up into units of more manageable size, they have never made much headway against UP's belief that its size is its best protection against any loss of political power. Apart from Mr. Morarji Desai, UP has provided all of India's prime ministers since independence. The town of Allahabad in the east of the province was the family home of Jawharlal Nehru, where his daughter Mrs. Gandhi spent much of her childhood. Lal Bahadur Shastri was educated at the Hindu Kashi-vidyapath University in Varnasi (Banaras).

Before independence UP (then called the United Provinces) was at the centre of the Congress Movement and the agitation to end British rule in India. More recently it was where Mrs. Gandhi received her most stunning reversal when all 85 constituencies in the state voted Congress out of power in the general election of 1977. It is ultimately where Mrs. Gandhi must stage a comeback if she is ever to return as India's Prime Minister.

Historically what is now the territory of UP is the spiritual centre of Hindu civilisation—commemorated in the Hindu epics of the Ramayana and the Mahabharata and revered today by countless pilgrims visiting Varanasi or attending the major festivals at Allahabad or Hardwar. Before that it was the cradle of Buddhist culture—where Buddha preached his first sermon and performed some of his greatest miracles.

In UP as well the Mughal Empire left some of its finest monuments. Akabar in the 16th century made his capital at Fatehpursikri, and Shah Jahan put up his most lavish architecture at the Taj Mahal in Agra. When the Empire as a whole went into decline, Lucknow still continued briefly to flourish as the capital of the Moslem princedom of Avadh (Oudh). Its wealth captured the imagination of the British of the 18th century, who gathered up what booty they could before a self righteous House of Commons put Warren Hastings on trial for plundering the province.

The state still has the largest concentration of Moslems of any in the union—about 15m. The wealthy among them and those who were recruited by the British into the senior ranks of the civil service or the army for the most part left for Pakistan at the time of partition or later. Only three Moslem members of the former Indian Civil Service appeared to have chosen to remain in India after independence. The Moslem population is now split between Shias and Sunnis—a rivalry that occasionally erupts in rioting. At Aligarh in the south west of the state—the scene of recent communal disturbances between Hindus and Moslems—is the main Moslem theological college in the country.

Signs

But for all the glory of its past there are signs that UP is now losing its power. Before independence it could still be said that it was one of the richest states in the union. But now its agriculture has fallen way behind that of other northern states such as the Punjab or Haryana. It has failed to attract the heavy industries sponsored by the central Government that went, for instance, to West Bengal or Karnataka. There has been little of the private investment which gravitated round the former "presidency" towns of British rule—Calcutta, Bombay and Madras, which were also the country's financial centres—or more recently towards Delhi. In UP there is not the same entrepreneurial pushiness as in Gujerat or Maharashtra. It has also suffered from a series of weak state governments—of which the present Janata administration of Mr. Naresh Yadav is one of the least effective—who have failed to push development or press the central Government hard enough for funds.

UP is also the state in which Brahmins and other upper-caste Hindus have been strongest in number. About 15-20 per cent of the population of eastern UP are said to be Brahmins, compared with as little as 2 per cent in southern states like Tamil Nadu. But as elsewhere in India the Brahmins are finding their old privileged position, which required little work but accorded them great respect, is being eroded. They lost out under land reform and now feel their influence in government is being threatened. The most bitter controversy in the state at the moment is over the new state government policy of reserving 15 per cent of jobs in government service for the so-called "backward castes" (not to be confused with the Harijans who are genuinely the downtrodden section of the community and have had jobs reserved for them for a long time).

In practice the backward castes are the increasingly prosperous peasant class of Ahirs, Khumis and Yadavas—cultivators and cowherdsmen in the past—who have advanced themselves since land reform gave them plots of their own. For them the Janata victory of 1977 has also meant a great increase in political power and they are now using it in a blatantly partisan way to consolidate their economic position by reserving to themselves jobs in the government service, which are the more precious for being in such short supply in a province of high unemployment. The Chief Minister of UP, Mr. Yadav, is from this caste. A man with little administrative experience before he came to power, he was chosen as head of government by Mr. Charan Singh when he was union Home Minister. Charan Singh is the symbol in the state of this new aggressive farmer class. He has an enormous personal following in the north but hardly any support in the south.

Mr. Yadav's policy on reserving jobs is being fiercely contested by the upper castes. The conflict threatens to split the Janata government in the state, which is formed from a coalition of the farmer class and members of the Hindu Jan Sangh party that traditionally has drawn its support from the trading community or higher-caste Hindus. The Jan Sangh members of the government have openly denounced it.

But those most affected by it are college students from higher caste backgrounds, who form the bulk of the university population in the major cities of the state and are the most desperate for jobs. Instead of joining left-wing or Marxist organisations as they did in the past, they are now swinging towards the militant Hindu communal organisation the RSS (Rashtriya Swayam Sevaksangh), which is also recruiting widely in the towns. Over the last two years most of UP's universities have been effectively closed because of continuing demonstrations. Youth leaders often carry country-made guns or knives. At Lucknow university 2-3 battalions of police were this year called in to keep order during the law examinations, but even then the examinations had to be abandoned.

Some idea of how high tensions run can be gathered from this extract from a report in the Lucknow Pioneer of January 15, though allowance must be made for exaggeration.

Fury

"The mob fury in the wake of the anti-reservation agitation continues to rage in parts of central and eastern Uttar Pradesh with fresh reports of violence pouring in from half a dozen places to the state headquarters today. . . . According to a report from Faizabad, the anti-reservationists set fire to a junior high school . . . Another report from Pilibhit said students set on fire a Bilaspur bound bus . . . Meanwhile academic life in over 20 districts of the state has been completely paralysed due to the agitation. All educational institutions in the violence affected districts have been closed for an indefinite period."

While these demonstrations go on, there are also widespread clashes in the villages. Parallel to their attempt to wrest more jobs in the government service from the higher castes, the emergent peasant community is also determined to resist the demands of those below them (the Harijans) for higher wages or a stake in the land. Instances of Harijans' houses being burnt down or Harijans themselves forcibly seizing land are not as common as in neighbouring Bihar, but are growing. Harijans and the upper castes thus find themselves in political alliance. The Moslems also feel threatened by what they see as a deteriorating law and order situation. Most worrying to them is that they feel that the Janata Government is increasingly partisan.

A further reason why UP is slipping behind is that there is not the same sense of regional identity in the province as in Bengal, for instance, or Karnataka, with their more obvious linguistic and cultural boundaries. Uttar Pradesh means Northern District — as undistinctive a name for the state as its former British title of United Provinces. There is as yet no history written of UP although a good many of Bengal and Karnataka. The state has produced few Hindi writers of note. Its Hindi films are mainly made in Bombay. Although it bands together as a whole, there are rivalries and tensions between its different regions.

The richest part of the state is in the west between Meerut and Delhi, which has benefited from the Jumna irrigation system. Charan Singh has at times proposed that this area should be removed from UP and joined with other parts of the Punjab and Haryana where his own community of Jat farmers are dominant. The eastern wing of the province puts down its backwardness not only to the absence of such a developed irrigation system but to the legacy of British rule. They claim that the British always penalised eastern UP because in the revolt of 1857 (the Indian Mutiny) the east put up the toughest resistance: it was a man from Balli in eastern UP who fired the first shot against the British.

There have also been periodic breakaway movements in eastern UP, which has a long tradition of agitation. In the 1930s the landless organised a land seizure movement and later renamed a village at Ballia as Moscow. Of the other two district regions that make up the province—the hill district of the north and the Bundelkhand in the south—both feel that the administration in Lucknow is too distant. Such tensions reflect the fact that UP as it is today is an amalgam of regions administratively clubbed together by the British.

If Mrs. Gandhi is to come back to power she must make a strong showing in UP. Since the general election she has won one by-election to the National Assembly and lost another. Memories of the hated sterilisation programme are now fading. She is counting on the support of the minority groups of the Moslems and the Harijans and quietly opposing the Government's policy over the reserving of jobs (though this has problems for her as she backs the Karnataka Government's even larger job reservation programme). In the past her charisma has carried her through. But next time she will need a powerful Congress organisation behind her as well.

David Housego

Trevor Humphries

A craftsman paints a large urn at the Chinbat Potteries near Lucknow. The pottery was set up by the Small Industries Corporation which is run by the Rural Industries Board

A woman MP with winning ways

PROFILE: MOHSINA KIDWAI

Mrs. Moshina Kidwai

MRS. MOHSINA KIDWAI, a quiet efficient woman, sees herself as the advance guard of Mrs. Gandhi's return to power in Uttar Pradesh. In May 1977, after Mr. Naresh Yadav resigned from the National Assembly to take up the post of Chief Minister of the Janata administration in UP, Mrs. Kidwai stood for the vacant seat of Azamgarh as a candidate of Mrs. Gandhi's faction of the Congress Party. It was the first by-election after Congress had been swept from power in every constituency in the state in the general election a few months earlier.

The timing was right and so were her credentials. The small farmers who had backed Mr. Yadav to the hilt the year before were fed up that sugar prices had slumped and that about 40 per cent of the crop was lying in the fields uncut. The Janata government had also just made sales of gold from the reserves, depressing the local price—to the anger of villagers who see it as their main form of savings.

Mrs. Kidwai, a mother of three, is a Moslem and so could look to the support of her own minority community which had shown its anger against Congress—provoked by the sterilisation campaign—during the general election but which has since seen the Janata Party as a partisan administration less mindful of their interests. She could also count on the support of the Harijans, who were disenchanted with a Janata government which seemingly turned a blind eye to violence against the Harijan community. Mrs. Kidwai is not a forceful speaker, but with her opponents divided and the minority groups on her side, she carried the day. She is now the only Congress MP in the parliament from a state that was once the party's stronghold.

She is also president of the UP Congress Party and officially she is Mrs. Gandhi's lieutenant in the province. She would not claim to be in Mrs. Gandhi's inner circle but she certainly sees herself as a loyal follower.

She shies away from questions about the Emergency. "As Mrs. Gandhi has said, there were some mistakes that damaged the image of the party," she says, "but the reports were exaggerated; memories are short and people are trying to forget the past."

Her opponents are quick to point to the findings of the Shah Commission set up to investigate abuses during the Emergency and which said that the number of sterilisations in UP shot up from 128,000 in 1975-76 to 837,000 in 1976-77. The number of people detained under special powers reached 30,000.

As a result of the Janata Government's policies and the growth in strength in the province of the militant Hindu movement RSS (Rashtriya Swayam Sevaksangh), Mrs. Kidwai feels that communalism is growing. "Communal politics increase day by day," she says, and "threaten our national integrity. The RSS believes in the theory of two nations. Casteism and violence are spreading throughout the country."

Embarrassed

On the issue of reserving jobs for the so-called backward castes, Mrs. Kidwai finds herself in an embarrassing position. In Karnataka, Congress has supported job reservation. But in UP members of the Congress Youth Movement have without much doubt been actively involved in the campaign, and probably some of the violence, against the state government's reservation policy which, in practice, will mean more posts for the increasingly prosperous peasant class. The UP Congress has declined to take an official stand on the subject but Mrs. Kidwai says that reserving jobs on the basis of caste will not solve the problem of helping the poorest. The distinction should have been made on the basis of incomes, she says.

Most of Mrs. Kidwai's family, like most of the Moslem elite of the province, moved to Pakistan at the time of partition or have settled there since. She herself was educated at the well-known Women's College in Aligarh. Her father was an active member of Congress during the struggle for independence and, underlying her commitment to India, she says that her maternal uncle, Shafiqur Rehman Kidwai, became the first Education Minister of Delhi state after independence.

She was active in social work before going into politics, helping the poor Moslem weaver class and starting a number of schools and craft centres. She was elected to the state legislative council in 1960 and to the state assembly in 1974. After holding a junior ministership in the UP government she became a cabinet minister in 1975 with special responsibility for social and Harijan affairs.

One of her main tasks now is to revive the Congress Party organisation in the province in time for the next general election, which must be held by 1982. After her success in the by-election at Azamgarhe, Congress failed to win a second by-election at Fatehpur in UP at the end of last year. She blames the defeat on irregularities in the voting list, to Harijans being prevented from going to the polling booths or being intimidated and to the massive effort the Janata party put into the contest by sending many Cabinet members to the constituency. Nonetheless, she feels that the prospects for Congress and Mrs. Gandhi in the province are bright.

D.H.

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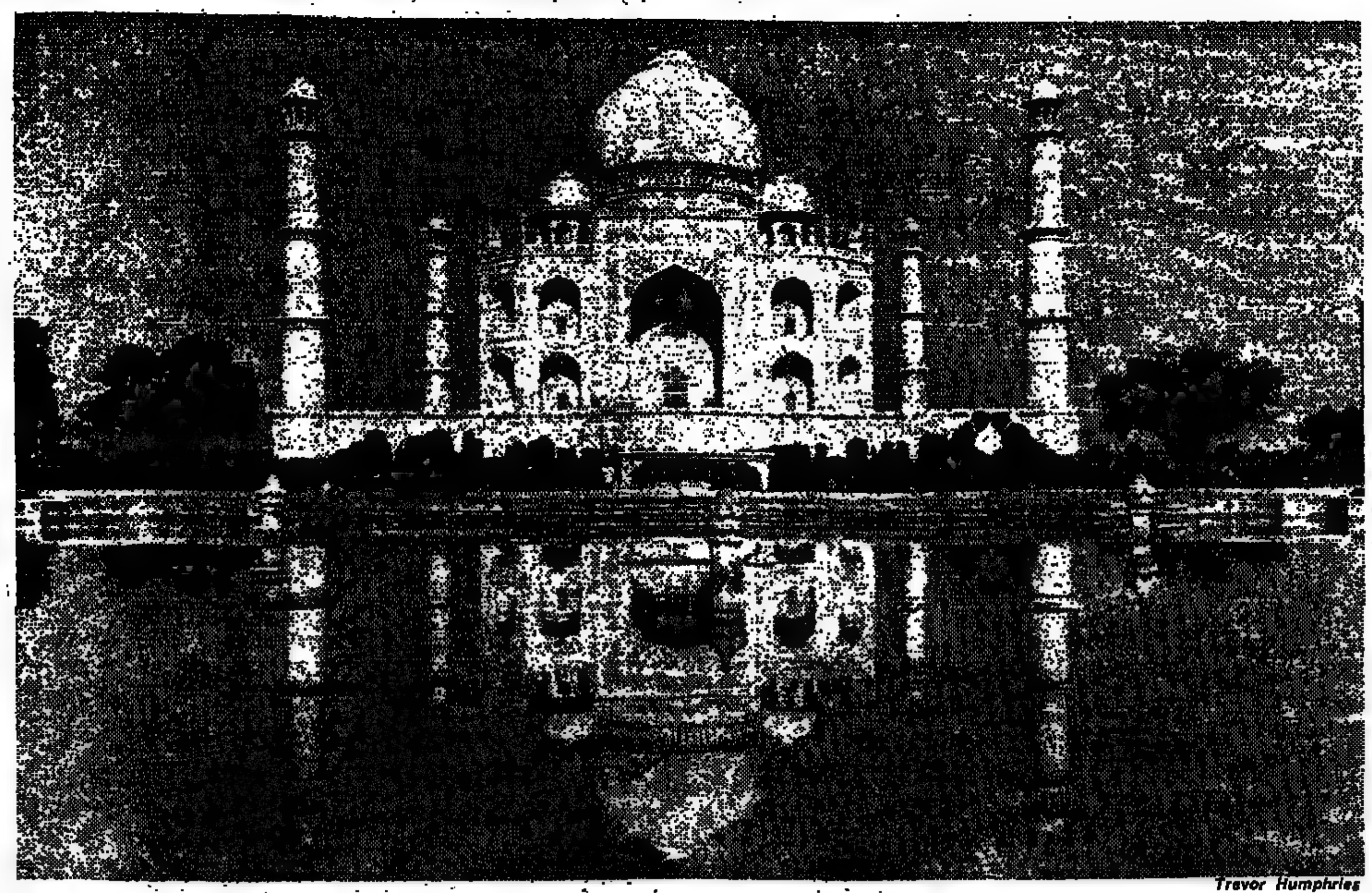


One of India's major tourist attractions: the Taj Mahal in Agra

Trevor Humphries

Meagre growth in state economy

"LET Uttar Pradesh have the Prime Ministers," a senior politician from the south once said, "but we will have the economic development." And so it has turned out. UP politically dominates the union but by almost any economic yardstick it has done badly since independence.

The state economy has grown at a meagre 2 per cent a year since 1960, as compared with an average for India as a whole of over 3 per cent. Of the larger states it has the lowest income per head, a reflection of its being one of the most densely populated and with one of the highest levels of unemployment. Only two other states—Bengal and Bihar—have received smaller allocations from the central Government on a per capita basis under the five-year plans begun in 1950. Both Bengal and Bihar, however, have benefited from a large number of centrally sponsored industrial projects to take advantage of their coal and iron resources. From 1950 to 1960, the UP Finance Ministry maintains, the state did not obtain any of the major projects that the central Government undertook in developing steel, heavy engineering, chemicals or in extending the country's basic infrastructure. Its share of centrally financed industrial projects is still minimal.

Investment

Private sector investment in manufacturing was in the past largely confined to textiles and sugar mills, industries that are now suffering from old equipment and inadequate returns. Kanpur, the centre of the state's textile industry, is now a decaying town. There has been some new private investment in electronics, glass, diesel engines, electrical goods, agricultural machinery, chemicals and fibres in both Kanpur and towns like Meerut, Ghaziabad, Mirzapur and Varanasi (Benares), but the rate has lagged behind the national average. UP lacks the advantages of having a financial centre like Bombay on its doorstep, which has helped promote new ventures in Maharashtra and Gujarat—and it has not had the spur that Karnataka has had from large central Government investment in engineering. The major manufacturing houses of the state—Singhania, Konoria, Modi and Jaipuria—are not national names in India.

Although 78 per cent of the labour force is in agriculture, grain production since 1950 has only grown at an average of 1.9 per cent a year, below the rate for the country as a whole and below the growth of population in the state. Destruction of crops from the flooding of the Ganges and the Jumna has wiped out many of the advantages that should have come from the country's two largest rivers passing through the state. Apart from the Jumna canal system in the north west, irrigation has proceeded slowly. Only 42 per cent of the cultivated land in the state is now under irrigation and much of it only partially.

This unsatisfactory picture is redeemed in two ways. UP has a long tradition of handicraft industry—silk, carpets and brassware in Varanasi, leatherwork in Agra and Faizabad, handloom weaving throughout the eastern part of the state, cutlery in Aligarh and Meerut. Both as a result of government incentives and of growing demand this is still expanding. The carpet industry around Varanasi has received an enormous boost in recent years from the slowing down and now the virtual halt of carpet exports from Iran. Small-scale industry has also extended into the manufacture of light industrial goods such as nuts and bolts, flashlights, steel and wooden furniture. In Varanasi alone, which has a Chamber of Commerce with 52 manufacturing or trading associations affiliated to it, there are about 400 such small-scale units.

The Chamber of Commerce, reflecting a widespread grievance in UP, says that both small-scale and medium size industry would grow faster if the state government did not impose a sales tax at a higher rate than that in other states. This discourages new units from establishing themselves in UP. The Janata Party promised to abolish it before the state elections last year. In power it has found that the sales tax accounts for 40 per cent of state revenue and that there is no way of being rid of it.

The other brighter feature is that agriculture has prospered in the western districts near Meerut. Yields are almost as high as in the neighbouring Punjab. The west has benefited from the irrigation system of the Jumna. But the Jat community in the area also form an energetic class of farmers who have worked the land themselves as compared with the old pattern in eastern UP where Brahmin landlords employed day labourers or share croppers to do the work for them. The west has also had the advantage of being close to the large market of Delhi and of its villages being connected by an extensive road system. In the east communications are bad, impeding both agriculture and village industry.

Throughout the province farmers have been complaining both this year and last that they are getting lower prices for their produce. There was a glut of sugar last year — the main cash crop — but more generally, while the cost of fertilisers and pumps for irrigation has been rising, prices have remained static or fallen because of insufficient demand. At the same time 67 per cent of UP's population lives below what is the officially defined poverty line. In support of their demand for higher prices over 100,000 farmers marched on Delhi in December for a rally to commemorate the birthday of Charan Singh, whom they regard as the champion of their cause.

UP blames its backwardness partly on itself and partly on the failings of the central Government. Its political leaders have been more preoccupied with national politics assuming that the support of UP itself could be taken for granted. They have thus not used their political leverage to get more funds for their state in the way that politicians from the more go-ahead provinces have done. In the east the economy has also had to carry the load until recently of a landlord class that refrained from work itself. But officials in the state government also feel that the planning commission in Delhi has treated UP badly and that shortage of funds has been a major constraint on development.

An impressive document prepared recently by the State Planning Institute claims that an investment of Rs 130bn-180bn will be needed over the next five years to make a substantial impact on living standards and unemployment. In practice the state has proposed to the Government a plan outlay of Rs 80bn and expects to get approval for expenditure of about Rs 38bn. The Planning Commission in Delhi complains that about 30 per cent of the funds currently allocated to UP for irrigation and power projects remain unutilised; that the state has a poor record in raising its own domestic revenues; and that money allocated for investment has been used to finance higher salaries or bonus payments at election time. Whatever the truth of these charges there is little doubt that UP is one of the least successful states in formulating projects and seeing that they are carried out.

Priorities

In line with both its own priorities and the philosophy of the Janata Government UP is now concentrating its state expenditure on agriculture and power generation — which will absorb 40 per cent and 20 per cent of the state budget respectively. Results are beginning to show. Consumption of fertilisers increased by 30 per cent for this year's Kharif crop as compared with last. A crash programme has been initiated for helping farmers to instal 120,000 tube wells this year, each to irrigate five hectares of land. UP last year contributed nearly half of the newly irrigated land in the country—about 4m acres. Expenditure on irrigation at current prices is rising from an average of Rs 150m a year over the last six years to Rs 750m in 1977-78 and a planned Rs 149 in 1978-79. Much of the increase in newly irrigated land has come from water storage schemes like the large project at Shrda Sahayak or multi-purpose schemes such as those being carried out at Tehri and Ramganga.

But the irrigation department is the first to admit that their major constraint is delays in the planning and implementing of projects, which in the past have resulted in large cost overruns. "We don't have many projects waiting on the shelf," an official said, adding that the design and planning directorate of the Irrigation Department was being strengthend and a new training institute being opened for irrigation managers.

Generating capacity is also being expanded in the state, but at peak periods there is still a 700 MW shortage. As a result most industries, according to one senior official, cannot operate fully even one shift, and mini steel plants, which are energy intensive, have had their supplies cut off. Priority in allocating power is given to agriculture, but with shortages of coal affecting thermal stations there have been cutbacks to tube wells and pumping equipment as well.

The chairman of the state electricity authority Mr. R. N. Bhargana says that one limit on expanding capacity is that he must buy generating equipment through the state-owned corporation Bharat Heavy Electricals (BHEL). They can neither provide the equipment themselves nor are they willing to sanction major imports of generating plant in spite of the governments policy of allowing purchases from abroad to make good domestic shortages. He says he would like to import directly four or five generating sets and has had attractive offers from abroad, but has so far lobbied for permission in vain.

With plan outlays limited and little hope of major private investment, there is unlikely to be more than a marginal improvement in either the living standards of the poor or in unemployment over the next five years. Trade unions are weak largely because industry is also depressed. The communists are making some attempts to organise the landless in the village and rural workers. But with land and jobs in short supply, the danger of more people taking the law into their own hands and grabbing what they can get is bound to grow.

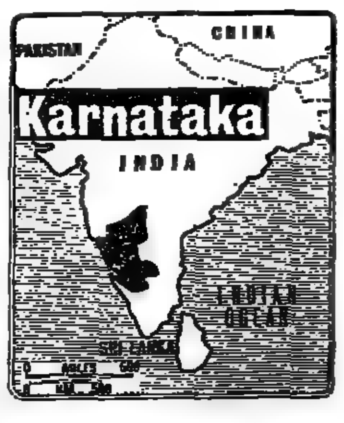
D.H.

Trevor Humphries

A merchant weighs potatoes at a market between Agra and Fatehpur Sikri

KARNATAKA

Sandalwood and satellites



The Chief Minister of Karnataka, Mr. D. Devaraj Urs, listens to the grievances of an old lady during a tour of the state's villages

SEVEN YEARS ago the state of Mysore disappeared off the map. Maharajahs and to, a large extent, malaria were matters of the past. Its renaming as *Karnataka was a symbol of its* taking on a new identity—a centre of production not merely for India's incense but for its fighter aeroplanes, not merely for its sandalwood but for its space satellites. Yet it was also an invocation of the past, of a history which includes rulers such as Tipu Sultan, the 18th century enemy of the British, and an earlier king whose ninth century empire was such that "*His horses drank the icy* liquid bubbling in the Himalayan streams and his war elephants tasted the Holy Water of the Ganges."

Usually standing apart from the north it remained Dravidian rather than Aryan. While the West went through the Middle Ages and the Renaissance, the Karnatakan area was the frontier state of the Hindus in the south against the Muslim rulers of the north.

Last year Mrs. Indira Gandhi chose Karnataka to be the scene for her return to the National Assembly. It was a safe choice. It is a state where her policies have largely worked, one of the few places where the 20-point programme of the Emergency approached reality, an area where the reasons for her continuing *charisma can readily be seen.* "She gave us food. How can we ever forget that?" a group of Harijans (the former "untouchables" and out-castes) told me outside one of the houses made available to them in the bustling market town of Chikmagalur, the rural constituency where she stood last November.

It was an election which saw both of the major parties resorting to violence. Crowds drummed up by Mrs. Gandhi's Janata opponents and allegedly partisan behaviour by the police brought in from New Delhi prevented Mrs. Gandhi from holding her final election rally. But today even the local *president of Janata*, Mrs. B. L. Subamma—owner of a well-fortified house, six dogs, four cats and a small coffee plantation—says that her criticism is of Mrs. Gandhi's personality, not of the programme which Congress (I) has been carrying out in the state.

Apart from housing, this programme includes land reform, cancelling rural debts, extending the pensions for the aged and disabled, and ensuring availability of Government jobs for the Scheduled Castes, as the millenial underdogs in Hindu *society are referred to in the* present constitution.

Such programmes have been started in other states, but Karnataka is *one of the few* where Congress has carried them through. For this much of the credit must go to the Chief Minister, Mr. D. Devaraj Urs—a protege of Mrs. Gandhi, a practitioner of many of the 20 Points before she had preached them and a man who has now become something of a force in Southern Indian politics.

Karnataka's 34m people live in the sixth largest state in the union. Their average income, though still below the national average, is one of the faster growing. Bangalore is *by local* standards a boom town. Its Chamber of Commerce must be one of the more fragrant in the world—aromas of joss sticks and jasmine wreathing the visitor. Yet the city also houses an array *of research institutes* (including that of Raman, winner of a Nobel physics prize for his work on the "Raman effect") and many of the country's more sophisticated electronics plants.

Spacious

To the visitor fresh from Calcutta *it seems part of a different country.* Once known as the "pensioner's paradise," Bangalore's centre is a garden *city, spacious and well laid out.* Not people but flowers jostle for space, with its walls a riot of bougainvillea, hybiscus, flame of the forest, palms, silver oaks and gold mohurs. Its hollyhocks grow to ten feet tall—imported by the British who were attracted by the town's mild climate and set up a major cantonment there.

The influence lives on. Now the home of India's Southern *Command, the numerous* barracks have names such as "Cornwallis Officers' Colony", there is an Infantry Road; a statue of Queen Victoria rises majestically; and officials are liable to be "out of station."

As in Calcutta there is that huge gulf between the ostentation of public buildings—in this case clean and fresh rather than crumbling relics—and the life of most Indians. The centre of Bangalore *is one side of the* rug. Its suburbs are the other—jostling and teeming, life a scrabble for survival.

At this time of year, if one drives in any direction from the capital, one soon enters a green and pleasant land. The paddy fields between Bangalore and Mysore in the south are almost iridescent. The palms are laden with coconuts. Beds of lotus flowers occasionally fringe the road and *monkeys* are as indolent as cows in moving aside for the passing car.

But the caravans of ox carts lumbering through the night are those of a people condemned to be permanently on the move to make ends meet. For many of the rural population one meal a day is the rule —a meal of starch and little else. And when the monsoons fail, as they did four years ago, not only the state's hydro-electricity is affected. Drought is a living fear.

Since 1960 the expansion of health facilities has barely kept up with population growth. Illiteracy rates, though improving, are striking. Even under the very crude definition used for literacy, in 1971 68.5 per cent of the state's population was illiterate, with this figure rising to 85.5 per cent for women in rural areas. Today, despite compulsory private education the country classrooms house far more boys than girls. The chains of caste are a living reality.

The contrast between the richness of the state's resources and the continuing poverty of its people is striking. In Bhadravarti, a steel town in the centre of the state, the finance director of the local steelworks, Mr. R. C. Ramakrishnah, stressed the need to see this contrast in an historical context: "When I went to college 35 years ago 99 per cent of the students were barefoot. There were few books and parents only gave fountain pens to children who passed the exams at the end of their eighth year at school. Now the people are no longer half naked. Horse-drawn carts have been replaced by buses. Most villages have motorable roads. The closed village barter economy has gone."

Karnataka took its present shape in 1956 when the states were redrawn on the basis of language. The Kannadan spoken by its inhabitants is first found in written inscriptions of around 450AD, though a court jester in an Egyptian play dating back to 200 BC speaks it, according to Professor V. K. Gokak, former Vice-Chancellor of Bangalore University and winner of several major Indian literary prizes.

Kannadan contains a high percentage of Sanskrit words—about 50 per cent. Dr. Gokak argues that the Dravidians of southern India trace their origins to an earlier migration of settlers from the same area as the Aryans. Although the Dravidians undoubtedly traded with the Phoenicians, Dr. Gokak rejects ideas that they had any Mediterranean origins.

The theory favoured today is that they came from present Turkestan or, and he thinks more likely, from the Hindu Kush, settling in the plains of the Punjab and then being driven south and east by the Aryan-speaking *peoples. The* Dasyus, as the previous wave of migrants was known, appear later to have mixed both with the Aryans and the earlier peoples in the south.

The subsequent history of the area is written on its hills: evident in the sombre ruined capitals of the past such as Vijayanagar (described by one 15th century Portuguese traveller as larger than Rome); in the rock temples *cut from the* mountain side; in the 57-feet stature of the Jain saint, Bahubali (apparently the world's largest monolithic statue); and in the craftsmanship of Belur. The temples built there by the Hoysala dynasty have stone carved into filigree as delicate as silver work. Based on a frieze of 644 elephants in different positions, the walls of the main temple rise to a series of bracket figures, so minutely sculpted that even the needle being taken from a hunter's foot can be seen and so imaginative, its director points out, as to have birds plucking jewels from a dancer's necklace and a woman searching her sari for a scorpion.

Culturally, *it is still a rich* area. Its musical tradition is such that "Carnatic music" is the term often used to describe *all south Indian music.* Only West Bengal has supplied as many winners of India's main modern literary prize. Its cinema is among the more flourishing in the south.

In the past 2,000 years Karnataka has had at least nine capitals, the one before Bangalore being Mysore. In recent times its Maharajahs had a reputation as being among the more liberal of the princely rulers of India.

Like much of southern India Karnataka long resisted the Brahmin-dominated Hinduism of the Aryan north. But eventually this established itself to the extent that most of its recent politics can be presented in terms of caste.

Transformation

Since independence the State has been ruled by the Congress party, mainly following Mrs. Gandhi. Mr. S. Venkatran, secretary of the State's Janata Party, argues: "The larger part of the population perceives its role in terms of its caste role. But a slow transformation has begun from a caste to a class society, *primarily due to Western edu*cation, industrialisation and the Parliamentary system. The educated low middle class is always the most vocal and as and when it is formed it has been clamouring for places in the political set up, in the offices and job market. The clamour of this new middle class has been founded on the basis of caste society. The first community to form a middle class was the *Brahmins*, a mere 4 per cent of the population, but until the 1920s the holders of virtually all Government jobs.

"Next the Vokkaligas, who were primarily land holders and who formed about 30 per cent of the population in old Mysore, began to corner power. After the merging of the Mysore with the northern Kannada-speaking districts in 1956 the Lingayats, the land *holders and some merchants of* the north, began to dominate: they account for 14 per cent of the present population as against the Vokkaligas who account for 12 per cent. Then 1971 was another landmark in our history. It was when power passed to the other communities *who, more numerous,* had finally started in the process of modernisation."

This, by all accounts, is the *main achievement of Mr. Urs*—to have welded from the weaker castes an alliance which includes most of the backward and dispossessed of the state. (*Curiously, this alliance* also includes the Brahmins who had long found themselves fighting a losing battle with the Vokkaligas and Lingayats.)

This analysis is largely accepted by the Communist Party of India's local secretary, Mr. M. S. Krishnan. He insists that castes cannot be identified with particular position in society and classes but says that class consciousness is weak. This, he adds, has led to Mr. Urs, "a humane, very clever bourgeois politician," exploiting caste feeling. But he talks of the "measure of relief" to which Mr. Urs's policies have led, claiming for his party (small but dominating the local trades unions, according to one major employer) that it was instrumental in seeing that the policies were not merely legislated but implemented.

In his eight years as Chief Minister, Mr. Urs has twice been dismissed by the Governor. Each time he has bounced back into office, last year being sworn in by the Governor who had only just dismissed him. Now his party, Congress (I), clears an average 50 per cent of the vote, compared with around 34 per cent won by Janata—and a small fraction won by separatists who wish a district of northern Karnataka to be reunited with the neighbouring state of Maharashtra.

Initially, local members of Congress (I) opposed any suggestion of working to reunify Congress, according to the Revenue Minister, Mr. Basavalingappa. He argues that those who had left the party represented the "vested interests" of those with property. *But as the Janata* began its "tirade" against Mrs. Gandhi Mr. Basavalingappa says that the local party had begun to accept the need to reunite.

Now Mr. Urs is one of the prime movers in these attempts to reunite Congress. He is criticised in Delhi for the way that his followers go on the occasional rampage, as for instance in December when the imprisonment of Mrs. Gandhi led to widespread violence. One commission has also found him guilty of corruption. But his policies are such that his home base seems secure.

Officials are quick to hand the visitor a 257-page compendium of socio-economic measures taken by his administrations. The list is an impressive one. It includes measures to prevent former share croppers being bogged down in litigation by landowners whose lands they are awarded; an extension of pensions; abolition of bonded labour and the *cancellation* of rural debts; the banning of the dowry system; the extension of minimum wage protection to a wide variety of workers; and a major programme of reserving jobs for members of the Scheduled Tribes, Scheduled Castes and other backward classes. Numerous credit schemes have been introduced and free building sites distributed.

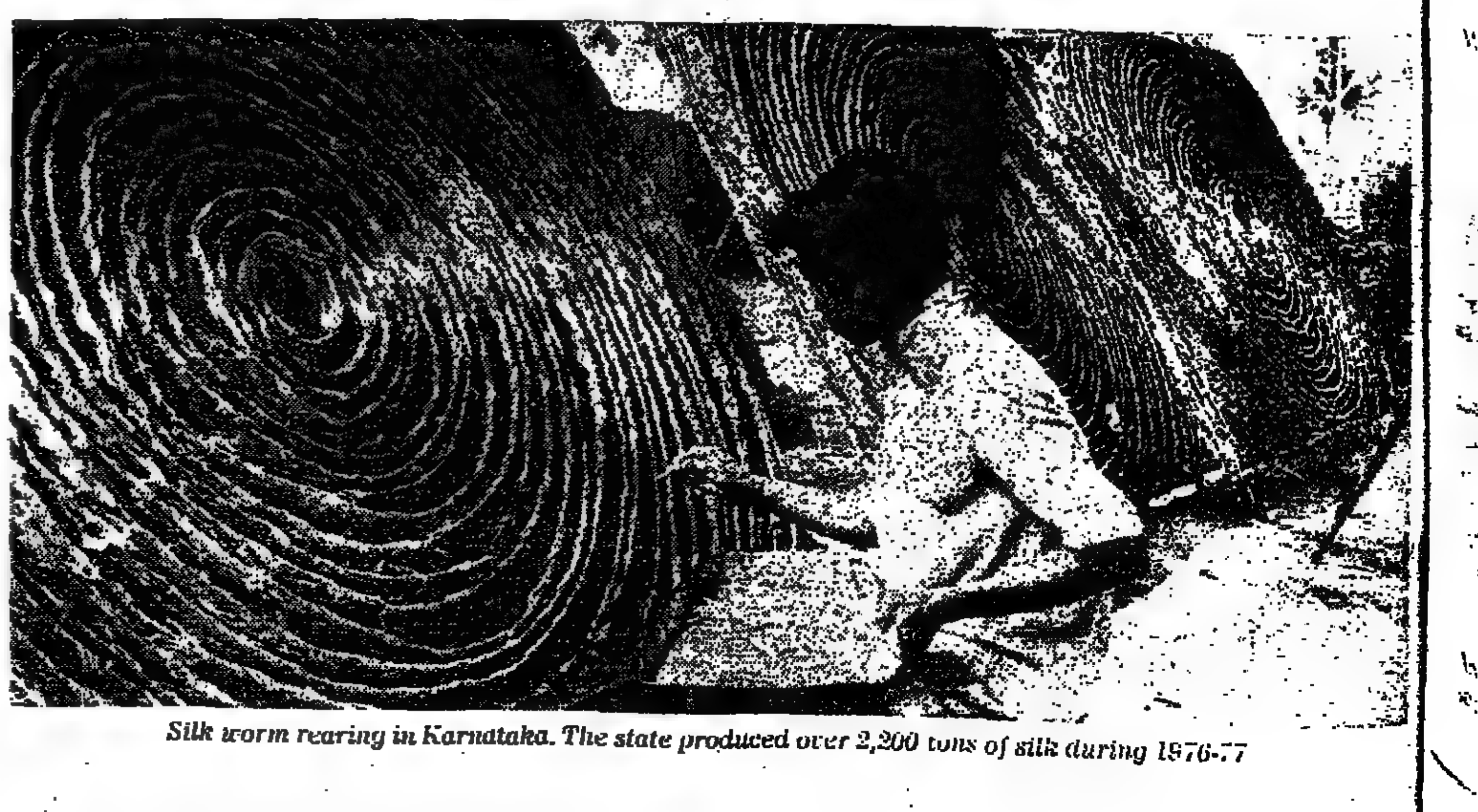
Quibble

It is possible to quibble — as the Left still does—about the progress in implementing the measures Mr. Urs himself will accept that "the problem is to make sure the measures reach the bottom." And a visit to the countryside soon reveals that such problems are very real. School teachers describe the difficulties they have in persuading parents *to send* their children to attend primary education, which in theory is compulsory; in one village school of 9-11 year-olds there were twice as many boys as girls and no desks; most of the children squatted on the floor.

The way that the cancellation of debts to village money-lenders has often been blocked is described as a "moral settlement" by the daughter of the Janata President in Chikmagalur, a lawyer who outlines how she seeks to "persuade" debtors to agree to repay at least the principal. And a local Congress (I) official insists: "We have stopped bonded labour but of course the dowry system continues underground."

Thus even in a state far ahead of most others in social legislation much remains to be done. But the Chief Minister is the first to admit this and the hope for the future is there. As one official says: "In Kannadan we say: 'This coconut is not planted for me but for *my children.*'"

David Tonge



Silk worm rearing in Karnataka. The state produced over 2,200 tons of silk during 1976-77

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Broad range of planning targets

KARNATAKA is probably the only area of the world where Five-Year Plans discuss how to raise the tiger population and where a Communist trades union has a march headed by a caparisoned elephant carrying a red flag.

The state's economy is a strange blend. It produces over half of India's coffee, three-quarters of the country's silk, and incense and three-quarters of the world's sandalwood. Yet it also houses some of the sub-continent's most advanced industries. And while drought is a constant threat to most cultivators, *the state's power stations* are fuelled by hydro-electricity.

Growth has been gathering momentum, averaging 4.8 per cent annually since 1960. To Mr. K. P. Rabindranathan, acting managing director of the large Hindustan Aeronautics complex in Bangalore, the city is a good location for industry. Like many of those running companies in the area he refers to its mild climate, reasonable labour relations and comparatively effective state government.

The plant he runs is largely responsible for the development of the high-technology industry *found* in the state. It was established in 1941 with British encouragement as a privately-owned aircraft servicing plant. Subsequently, it overhauled *many of* the British and U.S. warplanes used in the Eastern theatre. It was taken over later by the Indian Government and began to build aeroplanes under foreign licence, becoming increasingly an indigenous enterprise.

In Bangalore, Hindustan Aeronautics is now manufacturing helicopters under licence from France (the Snias Chcetan SA 315 and Aerospatiale Alouette III): engines under licence *from Rolls-Royce* (Dart Mk 531 and Orpheus 701 and 703) and from the French company Turbomeca (Artouste IIIB); and planes under licence from the UK (Hawker Siddeley's Gnat Mk I known locally as the Ajeet). It has also designed its own fighters and trainers. Other parts of the group work under MIG licences and make parts. The Bangalore complex accounts for about half the group's turnover.

The import content of the group's planes is now below one third and falling. Indigenisation has spawned a number of ancillary high-technology plants. *Bharat Electronics* and *Indian* Telephone Industries both have large plants in the area while Bangalore's sprawling Peenya Industrial Estate also houses the factory producing India's satellites. A 360 kg test satellite was launched by a Russian rocket in April 1975. A *second satellite, for observation* purposes, is to be launched for India by Russia this year and future developments include the firing of India's first satellite-launch rocket and participation in the European Space Agency project.

With such activities being run *by the public sector, many of* the dependent industries are also publicly owned. This is also the case for most of the state's large-scale industry. In part this results from the lack of local entrepreneurial capital formation in the past, but it reflects, too, the role played by state governments under the last Maharajahs.

"Industrialise or perish" is the slogan greeting visitors to the iron and steel plant in Bhadravati, the dusty steel town in the centre of Karnataka. The motto is that of Dr. M. Visvesvaraya, Diwan (Chief Minister) under the Maharajahs earlier this century. A man who lived to be 102, he was an outstanding engineer whose projects ranged from sewerage systems to the landscaped gardens south of Mysore *and who laid the foundations of its industry.*

The Bhadravati works, now named after him, was one of the first in the sub-continent. Today with a capacity of 150,000 tons of pig iron annually and producing a range of steels, its problems are typical of basic industries which *many* would like to see the state develop further.

Communications

The first problem is one of communications. Bhadravati, like much of the state, is served only by a narrow-gauge railway, involving a forced transfer of goods, materials and passengers at Bangalore to and from the wide-gauge system used on the national railways. The state's road system too is only just adequate. The length of surfaced and unsurfaced roads has doubled in the past two decades but still less than half the state's 27,000 villages are connected by all-weather and metalled roads: and 2,000 villages are not connected to any road whatsoever.

The second problem, as so often in India, is power. In 1977-78 Bhadravati, like other high-tension power consumers, received only 45 per cent of its electricity requirements. Even though the electricity being generated is five times the level of supply in 1960, it has lagged behind demand and only one-fifth of the state's large hydro-electric resources have been exploited. Since these to a large extent depend on the monsoons a coal-based thermal plant is being established at Riachur. This is only at the design *stage, though the com*missioning this year of the first unit of the Kalinadi hydro-electric project is expected to ease the situation. Stage 1 of this project will be of 910 MW, compared with the state's existing installed capacity of 1,145 MW.

The third problem, affecting both Bhadravati and other plans to develop the state's enormous iron ore deposits, is the shortage of suitable coal. Bhadravati itself relied on charcoal but now the forests which once surrounded it are a mere memory. Indeed, half a century of reckless cutting of timber—for the plant, for household fuel and to power the charcoal-based motor engines insisted on by the British during the fuel shortages of the war—*have left the state with* a massive immediate task of afforestation.

One answer to this problem is the *Kudremukh project*—the *$700m investment in the* equipment necessary to ship 7.5m tonnes of ore to Iran each year. The aim is to reach this figure by 1983, with the first shipments due in 1980. The project involves upgrading the 1,100m tonne outcrop of mainly magnetite iron ore 360 kilometres above the port of Mangalore in the Western Ghats.

"A magnificent stallion, foam-flecked nostrils in determination aflame, its mane in freedom flying, gallops across the Western Ghats," waxes one of the handouts of the Kudremukh Iron Ore Company in reference to "the crusaders of Kudremukh" and their determination to finish the project on schedule next year.

Mr. K. C. Khanna, chairman and managing director of the company, says that the project is on schedule. He is also surprisingly optimistic about its future given the *turmoil* in Iran. "Apprehensions flash in the mind of all people of prudence," he admits. But he argues that because it is not a military but a commercial contract, it will be honoured. "Iran is getting brighter every day," he said two weeks ago. "Now that the Shah has left I hope it is settling down to a normal representative government with freedom for all."

The Kudremukh deposits, *with an average iron content of* 38 per cent, are much less rich than the estimated 3bn tons of haematite deposits near Chikmagalur (with their content of about 65 per cent), or the equally rich Hospet deposits in the north-east of the state. There has long been pressure for construction of a large plant at Hospet, with coal to be brought from elsewhere. However, an alternative plan, at present favoured by the Government in *New Delhi, is to have a plant at* Mangalore, based on the state's iron ore and using coal imported from Australia or Canada.

On the union side the main force is described by managers as being the All-India Trade Union Congress (AITUC) which supports the Communist Party of India, with a second grouping, the Indian Trades Union Congress (INTUC), which supports Mrs. Gandhi's *Congress* Party, considered less forceful, according to one major employer. AITUC is quick to complain of police harassment, both in Bangalore and in the provinces. It often co-operates closely in the provinces with INTUC, particularly where workers on the state's coffee, tea and rubber plantations are concerned. Leaders of one picket seeking to persuade a coffee plantation owner to pay the obligatory minimum wage had just been arrested and accused of conspiracy to murder, the unions complained as an example. The police side of the story was not available.

Minimum daily wages for the jobs usually carried out by men have now been established at 5.90 rupees (37p) and for those (more numerous) carried out by women at 5.60 rupees (35p). As for production, this totalled over *half of the 122,250 tons* produced by India in the 1977-8 season. That year exports reached nearly $300m. Production for 1978-9 is down to an estimated 105,000 tons. The Coffee Board says that the aim is to double the area under coffee in the next 15 years.

Sericulture is also a flourishing industry. The state's production of silk has risen steadily over recent years to reach 2,246 tonnes in 1976-7, out of the total for all India of 3,813 tonnes. Less satisfactory has been the situation in the sandalwood industry. Production at the two state factories is now running at only half capacity, due entirely to a shortage of sandalwood trees following the drastic overcutting of recent years and the still-flourishing smuggling trade to neighbouring states. Unlike Karnataka these have private processing plants paying up to four times the price of sandalwood paid by the state factories. Because each sandalwood tree requires more than 60 years to reach maturity—and also because it is a parasitic tree requiring other trees' roots to help its own, making it difficult to cultivate—it is hard to see this shortage being corrected.

The draft 1978-83 plan prepared by the state puts an emphasis on afforestation and *says the highest priority is being* given to power, irrigation and agriculture; it is planned to treble the area under irrigation. Seventy per cent of the state's population depends on the land and the government is aiming at a 4.5 per cent annual increase in production of food grains and double this rate of increase in oil seeds, in particular ground nuts. There is a ten-year development plan for eliminating unemployment and the state sets higher minimum needs targets than those established by the central government, arguing that what *New Delhi sets as a target for* 1988 has in many cases already been surpassed by the state.

A "massive programme" of developing agriculture-based and cottage and small-scale industries is also called for.

David Tonge

Champion of the dispossessed

PROFILE: DEVARAJ URS

A FILM ACTOR for one night, college wrestler for 36 months, and Chief Minister for seven years, Mr. Devaraj Urs is a large fish for the small pool of Karnataka. Now engaged in trying to bring together the two wings of Congress, he is to a large extent responsible for ensuring Mrs. Gandhi's sweeping victory in the local Chikmagalur by-election last November. But *although he has obvious aims* of being the heir to Mrs. Gandhi, he faces the same problem as all southern Indian politicians—that northern politicians rarely allow them a foothold.

Once called Karnataka's Mayor Daley, Mr. Urs has long shown uncanny political skill. Genial, pipe-smoking and silk-robed, he is an unlikely mixture. Born 64 years ago in a small village outside Mysore, his family name means "princely" and he belongs to the same small caste as the ex-Maharajahs of Mysore. Yet the coalition which he has welded is of the dispossessed—of the minority castes which had never shared power. He is one of the few Chief Ministers to have made programmes for the poor a reality. And his rhetoric is that of the evangelist.

Phrases such as "the intolerable burden of exploitation" and "blood-sucking money-lenders" litter his speeches, and he has not hesitated to urge election crowds to burn a newspaper which criticised him.

In Karnataka the Emergency saw the torturing of the brother of the present Indian Minister of Industry, Mr. George Fernandes. There was also the death of a prominent female opponent of Mrs. Gandhi, which had been hastened by her conditions of detention. But Mr. Urs himself largely escaped criticism on such points. He has always steered clear of Mrs. Gandhi's controversial son, Sanjay. And he has ensured himself a mass following in the state through a programme as radical as any outside the Communist-dominated states.

Mr. Urs thinks that history will be kind to Mrs. Gandhi. He argues that Mahatma Gandhi set out the principles for helping India's poor, that Nehru made a programme out of these principles but failed to implement it, and that Mrs. Gandhi made a reality of this programme—in his loyal book, the failure of Congress to act in several states was not Mrs. Gandhi's failure but the failure of those she had trusted and who turned out to have "vested interests."

The problem of implementation is one he admits to encountering in Karnataka. His policy of liquidating rural debt has had, he says "defeats and shortcomings." The state machinery is "still burdened with many people from the urban areas, upper classes or kulaks (large farmers)." But he is pleased with progress at land reform—even if his ensuring no appeal for former landowners has been criticised elsewhere. He also vaunts the freeing of the states' 64,000 bonded labourers and the housing programme. As for his efforts to ensure that the poorer castes obtain jobs, these he says are "slowly, slowly succeeding."

Described as a populist by most critics and a socialist by many allies, he refuses to categorise himself.

His rule has had its interruptions. The Governor who swore him in last February had only just dismissed him. On such matters Mr. Urs is philosophical. "In politics such things do happen. I take them sportively."

His 26-year political career has seen him developing what one writer has called a "kind of tacky resiliency." He first became a state minister in 1962. Later he was to nationalise several local bus routes and in 1969, with Mrs. Gandhi's blessing, to start building the new Congress party, which overthrew its long-dominant parent in 1971.

An able administrator, he has also made massive use of the patronage system. It has led to frequent charges of corruption against him, and the Janata Government instituted a commission under Justice Grover to investigate some of these. The commission held him guilty under four counts, with Mr. *Urs's attempts to pre-empt the* enquiry being one of the reasons for his dismissal by the Governor. His son-in-law, a trade unionist, has also been a controversial figure. Mr. Urs is completely unperturbed by such points. "Of course I am corrupt in one sense," he beams, "but I want to know a man who entered politics through elections and who is not. Look how much U.S. Presidential candidates spend. Where does their *money come from?*"

It is the flamboyant answer of a flamboyant man. With corruption charges being hurled at so many Indian politicians I ventured that in India as elsewhere all publicity is good publicity. Mr. Urs was quick to cap this with a Sanskrit phrase and to say: "'A scoundrel, but one of the few good scoundrels' is what one newspaper just called me. I liked that."

D.T.

A pragmatic Marxism

"WHAT BENGAL thinks today, the rest of India thinks tomorrow" was a maxim coined 70 years ago by Gokhale, an Indian nationalist leader from the other side of the subcontinent. Now, as so often in its history, Calcutta is out on a limb compared with the rest of India. It is the only major part of India *where a Marxist party* rules the roost. It is at the front of the challenge which the individual states are waging on the powers of national Government. It is arguably taking a more serious approach to land redistribution than virtually any other state. And in the longer term, the state partitioned in 1947 but now containing a population of 50m, appears to face as desperate a battle with poverty as almost any part of India.

West Bengal is far from the all-Indian force that Bengal was. For long it was the most industrially advanced part of the Raj *and its writers were the major* Indian cultural figures of their time. In the political arena it was the Bengalis who were one of the main early forces in the Indian National Congress, founded in 1886 but taken over by Gandhi and nationalist leaders in 1921. And Gengalis *led the first major labour agita*tion against the British—the boycott British movement, the strikes at the tea plantations and jute mills, and the rail strikes on issues such as why the highest paid Indian received less than the lowest paid Eurasian.

Today such influence has faded, but West Bengal remains important merely for what it is—a state with nearly as large a population as the major European countries, with a level of poverty which one British writer describes as "an affront to the dignity of mankind" and with a government which not only believes it can tackle this but that its policies offer a glimmer of hope for the whole country.

The Bengalis have long stood out in sharp contrast to the Hindi peoples higher up the Ganges basin. Its original *settlers were hardly affected by* the Aryan migrations around 1500 BC. Two millenia later, when the Guptas brought Brahmin-dominated Hinduism to the area, the Bengalis proved reluctant converts, later supporting caste-free Buddhism and Islam. Caste is far less of a problem in West Bengal than in any other part of India.

As for the fading of Bengal's influence, in part this results from the transfer of the capital of the subcontinent from Calcutta to Delhi in 1911, in part from the relative decline in West Bengal's economic strength—its industries are largely outdated and profits from them invested elsewhere by the businessmen who have taken over from the British and who are rarely Bengalis but usually Marwaris from Rajasthan — and in part due to cultural reasons.

It was probably the first province to feel the impact of Lord

Macaulay's drive to Anglicise education in India.

But more recently Bengali has taken over from English as the more vital local cultural language. Bengali thought has thus become less accessible to other Indians though *Bengali culture is probably* richer than ever.

Resentment

To a point one deals with such issues so as to avoid confronting the misery evident all around. Even in Indian terms West Bengal *is* an area of desperate poverty hence the resentment in Calcutta that the Janata government in New Delhi tries to prevent the state Government — or so the latter claims — from further extending free school meals and from introducing even the most rudimentary and limited unemployment and old age benefits.

Annual income per head is about the same as that in India as a whole. But while the rest of India has seen a 30 per cent improvement in the past two decades, incomes per head in *West Bengal has not changed.* In practice, no change means a worsening situation for the poor. Official figures show that the percentage of those below the official poverty line has increased markedly—in the 13 years to 1974 from 31 to 36 per cent in the urban areas and from 40 to 66 per cent in the rural areas.

But such figures give no indication of the misery in the world's most overcrowded metropolis.

Advertisements which boast that a particular type of suit is "all you need" rise above a family where the mother is quietly picking lice from her daughter's hair, unaware of those passing by the folded blanket on the pavement which is her home. Promises of a mixture for "cholesterol-free gravy" hang over an old man cooking a meagre meal over embers beside a bus queue. Double-decker buses packed with up to 200 people grind their way through rank streets, battling for space with rickshaws, cows, taxis and pedestrians—all of whom skim within hair's breadths of each other. Light bulbs at the *city's few traffic lights are* frequently broken and then take eight months to replace.

It is the least housed city in an ill-housed country: an estimated 1.5m people have nowhere to live but shops, factories, the docks or the streets. The basic functions of life are dealt with *basically. Streets are lavatories;* broken cisterns, muddy rivers or stagnant green pools are baths. Employers have few scruples. As a former governor of West Bengal put it: "The proletariat of Calcutta is the worst exploited in the world."

Yet life teems on with a surprising zest, *in the refugee* camps on the outskirts as in the crumbling streets in the centre. And Calcutta continues to be the centre of an intellectual ferment which has long made it one of the most stimulating cities of India.

To all this the present government's aproach is that there is little it can do. It is finishing off the "ill-conceived" projects started by its predecessors and building a few lavatories. But in general it feels that money spent on Calcutta is rapidly swallowed without trace by its 9m inhabitants. It is furious at the £200m being spent on an underground railway financed by the Central Government and the World Bank: "For one-tenth of that we could have built a circular railway," the West Bengali Minister of Finance, Dr. Ashok Mitra, says. (Younger Bengalis, more irreverently, predict that the underground may never work as a railway but will at least be the city's only sewer which functions).

Refugees

As for the government's planners, these say they fear that West Bengal may continue to develop on the Latin American pattern, with the population squashed into overcrowded cities. Development should be spread, they insist, and Calcutta made less of a focal point. *They argue that with poverty* worse in the provinces, it is there that money should be spent. As Dr. Mitra puts it, the present government's aim is to "initiate development in the countryside and start a social revolution that way."

Nearly 400 miles separate the *mouths of the Ganges from Dar*jeeling in the north of the state. Shaped like a giraffe with a lump in its throat, West Bengal houses the tea estates of Darjeeling, jute and paddy areas and massive coal fields. But such has been the net inflow of refugees since partition—almost a quarter of the state's population comes from Bangladesh—that the cultivable land per head is well under half the average for all India.

For the first 20 years after independence West Bengal was a Congress stronghold. Congress had the support of business, *but its growing corruption* and the failure of two successive monsoons led to a chain of food shortages, anti-government demonstrations, police violence and strikes. The 1967 elections saw the Communist Party of India (Marxist) CPI(M) which had split away from the (more *pro-Moscow) Communist Party* of India (CPI) only three years earlier, returned as the largest party in the State's Legislative Assembly.

Events since then have moved with bewildering rapidity as Marxists and Congress jostled for power amid waves of violence mainly initiated either by the Naxalites (a Marxist-Leninist group which split away from the CPI(M) and tried to rouse the peasants) or Congress youth movements. Conditions only worsened under the 1975-1977 Emergency. Between 1969 and 1976 nearly 6,000 people were killed, half in clashes between the various political groups and half by the police, according to the Calcutta Prisoners' Relief Committee.

Despite all this the CPI(M) Party mechanism survived and the June, 1977, state elections saw the CPI(M) and its small allies swept into power. By this time Congress was identified with much of the violence. Its espousal of the cause of the larger landholders against the smallholder and the landless had cost it much rural support. Equally, it had lost out among the urban worker and the middle class.

Given this recent history it is all the more surprising for the visitor to find Calcutta calm today, the provinces in peace and the CPI(M) now seen as a party of law and order.

Yet such is the case. Businessmen describe the CPI(M) as "pragmatic and realistic." The urban middle class—a broad group in Calcutta, including the lower ranks of clerk and small stall owner, and whose support is crucial for a government—back it. Factory workers are leaving the other trades union confederations for the CPI(M)'s CITU, Congress of Indian Trades Unions. And the countryside has swung its way. In the local elections last June the CPI(M) won over 60 per cent of the seats in rural councils (Panchayats). There was also some recovery by the branch of Congress supporting Mrs. Gandhi, but now the CPI(M) is seeking to use its hold over the Panchayats to carry through its policies on behalf of share-croppers and the landless.

In the neighbouring province of *Bihar such policies have* led to violent attacks on the landless who tried to claim their various rights. So far West Bengal has been spared these but the CPI(M) is insisting on *festina lente,* hastening slowly.

In this respect its policies can be compared with those of *the Communist Party of Italy.* In government, it is dependent on a modicum of goodwill from New Delhi. Its experiences in the 1960s show that it can be deposed and it has no wish for history to repeat itself. "We mean to be here five years," Dr. Mitra says, *a picture of* Marx above his head in his office in the old Writers' Building where the East India clerks used to work.

The Chief Minister, Mr. Jyoti Basu, who has only a photograph of the Indian Prime Minister in his room, is quick to stress that his government's policies are largely held back by New Delhi. The capital controls most of the purse strings. Many crucial measures of legislation require the endorsement of the Centre. And under article 360 of the constitution New Delhi can always overthrow a local regime—and often does so. So Mr. Basu, who learnt his law at London's Middle Temple and his communism *from R. Palme* Dutt, the pre-war British Communist Party Politburo member, has to bide his time. Meanwhile, the party is spreading its roots deep. The CPI is demoralised and virtually non-existent outside a few unionists members admitting that they stayed too close to Mrs. *Gandhi for too* long. Congress is at present divided and the Janata relatively insignificant. But already the CPI(M) is raising its sights. Its criticism of the Janata Government is becoming sharper and it is finding regular fields of co-operation with CPI in the trades union and peasant areas. It even talks of setting out to become an all-Indian force.

In 1967 it had started on a similar course, only to see its membership outside West Bengal fall in all states except one. But now it trusts in a different development. It sees West Bengal as a showcase. "We mean to succeed," Mr. Basu says—even though the sceptics have still to be convinced that Gokhale's old maxim could yet prove apt again.

D.T.

Facing up to the land problem

PROFILE: PRADIP CHAKRAVURTI

"JUST A bunch of lazy peasants with nothing to do but talk," was how the local administration officer in Chhoto Jaglia described the villagers crowded into the small one-roomed slogan-daubed building beside his offices. But in the event his *neighbours included one of the* local leaders of the ruling Communist Party of India (Marxist). A 34-year-old school teacher called Pradip Chakravurti, he was directing the discussion in the small village close to the Bangladesh border over the sensitive issue in modern Bengali politics—*how to redistribute* the land of the larger holders in favour of the landless.

Soft-spoken, whether describing the problems he faces or blaming Britain for plundering the state, Mr. Chakravurti is in a sense a stereotype. Lean and serious, he is the proverbial teacher moulding *western* revolutionary ideas developed in the cities to rural reality, the activist too wedded to his work to have time to marry. But he is typical of the thousands of dedicated local officials on whom the CPI(M) is relying to carry through its land policies—and build up its rural base.

In the neighbouring state of Bihar attempts to apply existing laws on land have led to carnage. Attempts by the landless Harijans—the "children of God," as Gandhi named the "untouchables"—to obtain their rights have been reportedly answered by killing, the burning down of entire Harijan areas and the rape of their women. One magazine writes that in Bihar in the 18 months to last September there were 1,646 atrocities on Harijans.

"There it is a class problem aggravated by caste," Mr. Chakravurti insists. "Here we have far less of a caste problem and a far stronger peasants' movement." Still the resistance to change is strong. Violence usually occurs during the times of crop distribution. But by all accounts it is now less serious than in the recent past.

The question of land is fundamental. Of the 13.6m acres of cultivable land in the state 40 per cent is in the hands of a mere 4 per cent of the popula*tion, according to officials.* At least 35 per cent of the population has no land and is obliged to work a similar share of the land on a share-cropping basis. In practice the scant shares they receive commonly lead to their becoming increasingly in debt. Inequalities in land distribu*tion have been growing as many* smallholders have been forced to sell what little land they have. The number of peasants working *only* as occasional agricultural labours has risen steeply.

Examples

Mr. Chakravurti has little trouble in fleshing out such points with real-life examples of the problems faced by millions of Bengalis. He has spent the past 12 years working in the villages around Chhoto Jagulia. The fifth of 14 brothers and sisters, he came with his *family* to the neighbouring market town of Barasat as a refugee from East Pakistan in 1950. His father was a teacher and an occasional lawyer and many of the children have done well. Two are lecturers at Delhi University. His own starting salary was Rs240 a month (£14), he now earns Rs600 (£38).

"Marxism was a tradition in our family," he says, describing how he had been one of the student representatives at Calcutta University before returning to Barasat, an impoverished dusty town where a mansion put up by Warren Hastings 200 years ago is one of the *few two-storey buildings.*

It has been a rough journey for him. In 1971 in his town alone 17 members of the CPI (M) were killed as were five of their opponents, the Naxalites CPI(ML). These deaths were mainly in fighting between left-wing groups, but he says that *the police were deeply involved* in the killing, in particular the security forces from outside West Bengal. Eight years ago he


Pradip Chakravurti

spent ten days in prison, taken from hospital where he was being treated for a head wound inflicted by a Naxalite. Threats on his life meant he had to go underground for a year, but he says that the strength of the party was already such that he was always in less danger than teachers in other areas. Unlike many other teachers he had an understanding headmaster, who rather than make him resign sent him out of the area on a teacher's training course.

Last June Mr. Chakravurti was elected to the local Panchayat, a council covering a cluster of villages. Use of these panchayats to ensure existing land reform laws are applied is now central to the CPI(M)'s polcies. In 1955 a law establishing land ceilings was passed in New Delhi, with the West Bengal ceilings for a family of five people subsequently reduced to the present 12.4 acres of irrigated and 17.3 acres of non-irrigated land. A further law establishes the rights of share croppers to a fair share of *the crop and to uninterrupted* tenure. But Mr. Chakravurti insists that neither measure has worked in practice. "Families get round the land ceiling law by registering their land in false names, even in the names of their dogs," he says, adding that in practice the share *cropper can rarely secure half* the crop even when the law entitles him to three-quarters of it. "The poor just grow

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Need to tackle stagnation

WATERED by the Ganges, the Bengal area, with its abundant reserves of coal and iron ore, and its tea estates and jute fields, long stood ahead of the other States of India. In the 1770s its wealth enabled the East India Company to exact an annual income, excluding presents received by the company, of £1.5m. Shocked by the fortunes that Englishmen made in Bengal and the burden this placed on the province, Edmund Burke declared that the effect of English rule was to leave "nothing before the eyes of the native but an endlessly hopeless prospect of new flights of birds of prey and passage with appetites continually renewing for a food that is continually wasting."

The worst of these abuses were later checked under Reformist Administrations but still the output of Bengal continued to lay the foundation of many British fortunes, both before and after it became the first industrial centre of the sub-continent.

Yet since Independence its economic record has been less than glorious. Over the past two years, even allowing for the ravages of last autumn's floods, industry and agriculture have achieved higher growth rates than the average for the period. None the less, it was a legacy of stagnation if not decline which the Left Front Government inherited in June, 1977, a decline which to an extent the troubles under the previous Left Front governments had contributed.

The 20 months in office of this Marxist administration have seen it living up to at least some of the hopes of its supporters—a hard task when New Delhi retains strong if diminishing powers over the individual states. But the Left Front has at least quashed many of the fears which greeted its return.

Many businessmen still hanker after the *laissez faire* days of Congress rule in the state, but they are also surprisingly complimentary about the Left Front. As one foreign company's chairman puts it: "We were all very worried when it took over. But it has been quite pragmatic. The fact that the government has been headed by the Communist Party of India (Marxist) [CPI(M)] has not made it any worse from the point of view of labour relations."

Adamant

With 220,000 jute mill workers striking last month, barge men and bank employees out, as well as 300,000 engineering workers threatening action, such a claim seemed surprising. But the chairman was adamant: "In our experience their demands have been no less moderate than before."

Here the CPI(M)'s dilemma is very similar to that of the British Labour Party when in government. The CPI(M) does not want a pitched confrontation with management (particularly after the traumas it suffered when it shared office in the late 1960s).

But it has to represent the workers who support it. Its Congress of Indian Trade Unions (CITU) is outstripping the other main confederations—the INTUC which supports Congress and the All-India TUC (AITUC) supporting the Communist Party of India. "With the CPI(M) in power here it is only natural that many workers should leave us for the CITU," an AITUC leader says resignedly.

Given the CPI(M)'s dilemma, many businessmen suggest that the party leadership is pressing the CITU to avoid radical demands. Such policies would not be easy in a state with as developed a labour movement as West Bengal. Yet CITU leaders make it clear that wider considerations are taken into account. Mr. Dinen Bhattachariya, Vice-President of the West Bengal CITU, head of its branch at the large Hindustan Motors plant, and a Member of the National Assembly insists: "We are not pressing the workers to limit their claims." However, he adds: "But we do suggest what is practical taking into account the conditions of the industry and what it is possible to achieve if the workers fight."

This background in part explains why even local business leaders have more than the occasional good word for the Left Front. "Idealogically we are poles apart, but on a practical level they are all there. Business houses like ours would be their first target. They have said it clearly. But from the viewpoint of administration and law and order they are one of the better administrations," says Mr. S. K. Birla, President of the local Indian Chamber of Commerce.

A partner in one of the country's biggest industrial houses, Birlas, a multinational employing 300,000 people through South East Asia and with annual sales of $2bn, Mr. Birla describes the CPI(M) Chief Minister, Mr. Jyoti Basu, as "very pragmatic." He adds: "The day he assumed office he told various forums that he did not believe in this society but recognised the limitations in the sense that the State does not have enough powers. He told us "Until such time as we are in power in New Delhi we will do the next best, working along with you to expand business, create employment and improve the standard of living. He has largely lived up to that."

The government is the first to admit that it has a long way to go. Consumer prices have been moving close to the national average, levelling off after steep increases in the early 1970s. But the cereal deficit has grown in recent years and the general index of industrial production only rose 6 per cent in the 13 years to 1976. The rest of India has caught up with it in average income per head, and West Bengal now faces the spectre of lagging progressively behind.

There are many reasons for this relative decline. One argument sometimes heard is that the Bengalis lack entrepreneurial skill, that they are not hard working and that they are accustomed to being Babus—white-collar workers who expect others to do the manual work. Perhaps more convincing are the hard social and economic facts. Partitioned in the 1940s West Bengal has since had to cope with a net inflow of penniless refugees equivalent to one-quarter of its population.

Its industries are largely traditional ones, located at the end of a once-crucial railway line, tied to static sectors such as jute or dependent on servicing outmoded technologies such as the steam engine. More important, it has seen virtually no investment throughout the past decade. The British-owned firms which dominated post-Independence times were doing little reinvestment of profits even before their Indianisation was seriously mooted in the mid-1960s and which became a reality in the 1970s. Moreover, most of the firms then passed into the hands not of Bengalis but of the Marwadi business community — families such as the Birlas, the Kanorias and the Singhanias, men from Rajasthan, of tough commercial instincts, often preferring to invest their profits elsewhere in India or abroad.

Crucial

To a considerable extent they avoided West Bengal because of its political troubles during the late 1960s and its tradition of trade union activity. But as unionism has developed elsewhere this last point has become less important. "The cultural gap between our advanced labour force and those elsewhere has now been bridged," is how Dr. Ashok Mitra, the prominent economist and writer now serving as Minister of Finance, describes the present situation. But if this relative "disadvantage" is being eroded, West Bengal's comparative advantage —its cheap coal and iron—has not been restored. "The most crucial measure New Delhi ever took was to establish by fiat that the coal, iron and steel, where we have a natural advantage, should be the same price all over the country without giving us anything in return for the products where we are at a disadvantage," Dr. Mitra says. He refers particularly to the state's need for chemicals, higher quality cottons and salt.

The Chief Minister is quick to admit that industrial regeneration is "very difficult." He adds: "We operate in a mixed economy. We depend a lot on the private sector." Yet the thrust of policy seems to be in three main directions, towards stimulating agriculture, building up small-scale industry in villages and cities and overcoming the power shortages.

Advisers to the Government argue that the first of these policies is essential for the revival of industry. "There is evidence that one needs to begin with agriculture not merely to increase output and raise average income but because the basic problem of industry is demand," says Dr. Ashim Dasgupta, an MIT-trained reader in economics at the Economics Department of Calcutta University and a consultant to the Government in numerous committees. His views reflect the now widely-held emphasis on rural development that exists in India. He also insists that the breaking up of land holdings into units under the limit established by the land ceiling law should lead to an increase in output. Unlike mechanised agriculture in the West, Dr. Dasgupta says that the labour-intensive agriculture of India apparently leads to the maximum yield per acre of all major crops being obtained not from large farmers but, strangely, from marginal and small farmers. He adds that this point is born out in all districts of the state and in all states. "There is thus no conflict between the objectives of minimising inequalities and maximising production."

If the results of such policies have yet to be seen, improvements in the power situation could also be delayed.

The term "loan shedding" is the euphemism used for the power cuts which disrupt industry and daily life. Industry blames the overmanning in the sector and the government blames the past management of the plants, in particular those belonging to the West Bengal State Electricity Board. More important is the lack of spare parts for machinery and the failure to service the coal-fired thermal plants on time: "During the Emergency and just prior the machines were worked as no machine should be," the Chief Minister says to explain why the scheduled cuts of the Congress period have now been joined by more problematic unscheduled cuts.

One year ago the Left Front government put out a statement on industrial policy which set out seven goals, ranging from reversing the trend towards stagnation and providing increased employment to expanding the public sector and increasing the control of workers over industry. Today the short-term problems are such that its hopes of restructuring society seem remote. But the aims remain unchanged, the Left Front's unity unbroken and its belief unchanged that the deeper it dies in the closer it will be able to come to realising the programme on which it was elected.

D.T.

Land problem

CONTINUED FROM PREVIOUS PAGE

yearly deeper in debt." It is a sad comment on the rest of India that despite such problems land reform has been more successful in West Bengal than in most other states.

In Calcutta the West Bengal Land Reform Commissioner, Mr. Debabrato Bandhopadhyaya, despite his very different background from activists such as Mr. Chakravurti—he is a career All-Indian civil servant who was recently joint secretary at the Ministry of Labour in New Delhi—he backs up the gloomy picture painted of the life of the poor peasant: "The sharecropper and agricultural labourers live to some extent in a state of fear and terror—fear of the bureaucracy of revenue officers and police and terror of economic sanctions or violence by the landlords and of litigation which he can never afford to fight."

But the commissioner also points out that only with the help of the testimony of the sharecropper and agricultural labourer can the state start redistribution of the land held in excess of land ceilings (Ministers estimate such land totals around 1.5m acres, or one-ninth of the arable land in the state).

Under the old situation, the peasant could never provide the evidence necessary. Now amendments to the sharecropping law mean that instead of the peasant having to prove he is a sharecropper, the landlord has to prove the peasant is not — and at a public meeting in the village rather than a law court elsewhere. Mr. Bandhopadhyaya also describes the state's attempt to break the power of the village leader, often charging effective rates of over 20 per cent annually, by persuading the banks to lend to sharecroppers. As for the Minister of Finance, Dr. Ashok Mitra, he says that the banks, long accustomed to a credit/deposit ratio in the provinces of around 1/4, do not like such policies. "There is only one method: I browbeat them at the top and their lives are made miserable at the village level. We also keep the heat on the Reserve Bank of India." Dr. Mitra also plans a progressive land tax to replace the present "really regressive" system by the time the new fiscal year begins in April.

There appears to be a consensus in the CPI (M) that at some time the middle farmers, too, will have to be alienated. The present policy is that this should be later rather than sooner. But for the moment, as the Chief Minister, Mr. Jyoti Basu, puts it: "Our aim is that people should only own what they cultivate."

Slowly

Critics of the party say that for the time being it is moving slowly precisely because it does not want to alienate the middle farmers who at present provide it with much of its rural support. But for local activists such as Mr. Chakravurti there has already been a "basic change." In the violence of the early 1970s and the Emergency, he says, the CPI(M) could not work openly and even the present Chief Minister had to visit the area in disguise, meeting him and other party workers at a "picnic." Now, he claims, the power of the landlords is not what it was. "In West Bengal those fighting for independence could not break the leadership of the landlords in the villages. Even control of the independence struggle fell into the hand of the landlords. Now the peasants' organisations have taken root. But we know that we cannot do as per our expectations and desires. Establishing the right of share croppers is a step to land reform.

"But," he adds, "if we start a real land reform through the panchayats, Congress and Janata cannot afford to let this continue. We wonder how long they will leave us in peace." The few of the "lazy peasants" around him who understood English nodded in agreement.

D.T.

VILLAGE LIFE

Progress and prosperity veil caste issue

Children playing in the main street of Paltoo Ka Nangla. The cast-off tyres are a sign of a new prosperity

CASTE VIOLENCE has not yet come to Paltoo Ka Nangla but prosperity has. Indeed the village is showing the signs of pollution that prosperity brings. The once sleepy main street is littered with building blocks, an upturned tractor cart and torn rubber tyres big enough for the children to play hide and seek in.

The old rural identity has been distorted. Simplicity and symmetry is disturbed by the stone extensions intruding on the mud houses and by trees felled or stripped to make way for new work. Old mud houses were turned into homes by the home-made wall paintings; the new stone is left glaring and coldly bare.

If prosperity comes to Paltoo, then rural India must indeed be making progress. Paltoo where? Paltoo Ka what? Those were the questions asked by people hardly two miles from Paltoo as I tried to find my way back to the village. As the crow flies, Paltoo Ka Nangla is a mere 10 km from National Highway 3 running from Agra to Bombay. *It is 50 km from* Agra in Uttar Pradesh, India's largest State, and quite close to the borders of Rajasthan to the west and Madhya Pradesh to the south.

But it lies a kilometre from the nearest tarmac road along a zigzag dirt track beside fields made vivid green and yellow by ripening mustard, gram, sugar cane and wheat. The 150 families comprising the village have no school or post office or police station or electricity line to distinguish them with a modest pinprick on even a large-scale map. They are just members of India's 567,000 unknown villages where the unknown masses live.

Nevertheless, according to Karan Singh, a Sanadhya Brahmin and the largest landowner, things are indeed looking up in Paltoo.

He sat, tucked his loincloth under him, let other villagers cluster round him, and talked of the prosperity. Crops, he said, were up by 50 per cent. He himself had savings of Rs 3,000 (about £180) in the bank and only had to pay off Rs 12,000 on the Rs 44,000 tractor he bought late in 1975. Everyone in the village, he said, apart from one bania who ran a shop, had some land so prosperity had been spread around. He gestured to the people around, as if to point out that there was a much greater splash of colour than before in the clothes of the people (though Karan Singh himself was dressed as he has been on every visit I have made since 1973 in a dhoti yellowed with constant washing and a shirt not yet threadbare).

No, he said, there was no caste trouble in Paltoo. The mixture of brahmins and Rajput kachways got along just fine, didn't they? He turned to his chorus of supporters who murmured approval.

Given this account, the village shows that it is possible to achieve progress without any of the disruptions of caste riots which have spread across much of the north Indian heartland. But appearances can be deceptive.

Turmoil

Paltoo is untypical in that it has no harijans (untouchables). They all live in the neighbouring village of Chansora which together with Paltoo and another village has a joint village council. Paltoo is also unusual in that brahmins are the largest landowners. Even so, the village shares the most important feature with the villages that are in turmoil—a power struggle in which the weakest sections are being pushed to the wall.

One of the most telling signs was the way Karan Singh almost brooded over the rest of the village, looking down his long aquiline nose to see that no one was going to interrupt. Once or twice he gently wagged a finger to forestall any other comment.

Wandering down the byways of the village a slightly different picture emerged. Yes, it was true, said another villager not from the ruling family, that everyone had some land, but some people had a third of an acre or less. On this they had room for just a house and perhaps a vegetable patch; to earn their living they had to work as labourers.

Other small farmers with a handful of acres are under constant pressure to retain their land. Bad weather, crop failure or heavy expenditure on something like a daughter's marriage could plunge them impossibly into debt.

And all the smaller peasants are at the mercy of the big landowner—Karan Singh. With ownership of what he says is 25 acres—though he almost certainly underestimates his actual holding—he used to provide the labouring jobs and still acts as local moneylender.

He used to provide the jobs but no longer does because the machine of progress, his tractor, does away with his need to employ 100 labourers. "It is faster, cheaper and can do many things," he said in obvious praise of the tractor. "It can plough and winnow, carry heavy loads, transport water and give joyrides at marriage parties. And it saves me Rs 5,000 a year I would have to pay in wages."

Where do the men find work, I asked. "Oh, there are plenty of places. They can go and work in the quarries or on building roads or go to Jagnir or Agra."

For the men who have to find jobs it is not as easy as that. Ram Dayal, a *jatic*, and one of the small "landowners," said "With only one *bigha* (one third of an acre) we are as well or as badly off as the landless. We have to go out and find work. That is not easy to come by, nor does it pay well even at harvest time. We are having to go further and further and away from our families in order to find work these days. There are too many people searching."

But Karan Singh still finds it profitable to act as moneylender to those in need. And according to the villagers' accounts, he charges an interest rate five or six times higher than the 12 per cent that the bank charges him on his tractor. Even though the last few years' crops have been good because of the better weather, most of those in debt have only been able to keep up with the interest payments—making no reduction in touching the principal.

Where Paltoo really differs from the riot-torn parts of north India is that the have-nots have not yet had a chance. The movement of the middle-caste kisans (farmers) stems from resentment over the special constitutional privileges of the harijans *and determination* to break through the high-caste brahmin-dominated government's urban bias.

It is a sort of intermediate revolution, with the rich five-acre kulaks determined to get their share. It has brought bloody results, with violence against harijans and reports of harijans being tossed into crushers or dragged to death behind tractors.

Fines

In Paltoo and the neighbouring villages the brahmin landlords are not yet under challenge. The leading brahmin family in Chansora has not only a tractor but also a jeep. Their control is linked and reinforced at the village council level which the brahmins control. The harijans should have powerful representation on the council but it was said: "Usually it is not worth their while turning up."

The council has some useful local powers, like being able to levy fines, which it has done on occasion, "mostly for non-payment of debts."

There are some flickering signs that changes may be coming. Some of the harijans of Chansora have just got tube-wells, thanks to loans from the Janata Government, and will be able to irrigate and get crops from their land, which till now has lain barren. One of them, Chandra Bhan, a mehta (one of the lowest groups of harijans), said delightedly: "Up till now the land has not been fit for crops, but soon with the tube-well I hope to have my own. It will be a change from having to find work as a labourer."

In the battle for survival in rural India the economic purchase which this will give the harijans may mean they are not so easily pushed around and will start claiming their privileges.

In Paltoo itself there is no one to challenge the brahmin family. Karan Singh himself was no supporter of Charan Singh, the kisans' hero, who, he said, "does not count around here." Instead he declared himself roundly for Mrs. Gandhi and said he had wished to go "to court arrest by demonstrating for her, but my father was ill and I had to stay here."

Mrs. Gandhi, he said, governed firmly. But nowadays "times are changing and people are not like they used to be. They do not show sufficient respect." The comment was the only other sign that Paltoo's masses too might be stirring.

Kevin Rafferty

THE DOCTRINE of the Indian caste system dates from the hymn of the Rig Veda describing the creation of the world. From the head of the primeval man came the brahmin or priest, from his arms the kshatriya or warriors, from his thighs the merchants and craftsmen (vaishya) and later a fourth caste of menial sudras was allowed. The fourth caste were supposed to have come from the feet of primeval man and thus were outcaste as far as many traditional practices were concerned.

Over the centuries many sub-groups developed within each caste and a complicated set of taboos developed. For example, a nayar, a south Indian caste below the brahmins, might safely approach within a few feet of a brahmin, but could not touch him without defiling him. However, the presence of a toddy-drawer within 36 paces was enough to pollute a brahmin. In the last century one sub-group called purada-vannan, which washed the clothes of untouchables, was regarded as so lowly that its members were not supposed to be seen and had to live a nocturnal existence.

THE CO-OPERATIVE MOVEMENT

Success remains sporadic

THE CO-OPERATIVE movement in India is 75 years old this year, but Jawharlal Nehru's call for "convulsing the nation with co-operation" has had limited success. This despite the fact that it has a membership of over 70m and the value of its activities is estimated at over Rs 150bn (about $20bn) annually. Started as a movement for self-help among the poor, it really made a beginning only in the 1950s when it found a place in the planning process. Progress has been sporadic and uneven, although there are some areas of remarkable success.

Ironically, it is in its 75th year that the movement has again found official encouragement. The Janata Government feels that co-operation can be used to achieve its policies of rural and small industry development. *More concretely*, the *policy* to improve the public distribution system of essential goods through a chain of co-operatives was endorsed by all Chief Ministers last month. This ambitious scheme of production-cum-distribution is intended to be operational by July in a bid to eliminate the middleman who is thought to be responsible for shortages and rising prices.

But it is agriculture and, more specifically, the credit needs of farmers that has been the basis of the co-operation movement in India, now the largest in the world. It was started originally to rid poor farmers from the grip of the notorious village moneylender, and credit co-operatives, with all their shortcomings, are still the only alternative to him. It is only in the last couple of years that the organised banking system has started moving into rural areas. The moneylender still flourishes, but at least the statistical growth of credit co-operatives is impressive.

There are at present about 140,000 primary agricultural credit societies, about 350 central co-operative banks and 26 State co-operative banks in thet country. Membership of primary agricultural credit societies is over 40m, covering half the active rural population and 92 per cent of all villages. The societies have a working capital of Rs 19.9m and deposits of over Rs 1.1bn. Production loans given to farmers amount to about Rs 200m a year, and it is claimed that the needs of the farming population met by the co-operative system increased to about 50 per cent in 1975-76 from a meagre 3 per cent in 1950-51.

For long-term credit, central land mortgage or land development banks function in each state at the apex level, each serving districts or smaller administrative units through branches. The apex co-operatives give loans for development purposes (for example, irrigation), and there are at present 10 central land development banks and 890 primary land development banks with a membership of 7.89m and distributing about Rs 150m as loans *annually*.

Impact

Despite the size of the co-operative movement, it is universally accepted that its impact on the economy has been marginal. Evils crept into the movement from the initial stages, and so many vested interests have developed that some States want to forget about co-operation altogether and make a fresh beginning with other village institutions, like the panchayats. The suspicion with which rural co-operatives are viewed is largely because they are known to be used by farmers, traders, the local bureaucracy and politicians; the feeling is widespread that statistics give a false picture and the large farmers are getting most of the credit.

The Planning Commission acknowledges that the co-operative system is the most widely distributed and organised credit system which can readily take up the vast task of purveying short, medium and long-term credit to the rural areas. But, says the latest Draft Five-year Plan, "all along, the system has been heavily biased towards the more affluent sections of the rural community, even though lip service has been paid to helping the poorer classes. Resolutions to bring in efficient management and to help the poorer sections have remained a dead letter."

The Commission has found that exploitation of the poorer sections of the community by money-lenders and through a bonded labour system is still widely prevalent. "Even though debt redemption laws have been passed, for lack of an appropriate and efficient system of credit for consumption, the laws have only added to the misery of the poorer sections," says the Commission. Tence its call for major reforms and the introduction of a multi-purpose credit system with efficient non-political management.

The Central Government, which has a fully-fledged Department of Co-operation operating in New Delhi, has made some efforts to galvanise the system and to enlist the support of the States. For the first time last year, a national resolution on co-operative was adopted. This aims at making the movement into a major instrument of decentralised, labour-intensive and rural-oriented development. The co-operative movement will be developed as a "shield for the weak." This has a disquietingly platitudinous ring about it, especially when it speaks about making the movement into "an autonomous self-reliant movement, free from undue outside interference and excessive control, as also from politics."

Stabilise

The co-operative movement, meant initially for agriculturists, has been more successful in other related areas. The major examples are the co-operative sugar factories and the dairy co-operatives. The experiment of the Milk Supply and Processing Society at Anand in Gujarat is one of the great success stories of the co-operative movement, and it has set the pattern for national dairy development under the "operation flood" programme. At the all-India level, the National Co-operative Dairy Federation has under it nearly 30,000 primary milk supply co-operative societies with a membership of more than 2m. They sell products worth over Rs2bn anually, providing not only income for farmers but badly needed cheap nutrition.

Co-operative processing of agricultural produce, aimed at stabilising agricultural production, has been successful mainly in larger units like sugar factories. A total of 119 sugar co-operatives now operate to produce about 2.4m tonnes of sugar or nearly half the total in the country. Twenty years ago there were just three sugar factory co-operatives, and this suggests that, given the right organisational support, the primary producer can involve himself in processing his product.

Agricultural inputs is another area where the movement has done well. Over the years, nearly 60 per cent of fertiliser and other agricultural inputs sold have been channelled through the co-operative system. More significantly, farmers have decided to shed dependence on the private sector and imports for their needs of fertilisers and have actually entered the fertiliser industry as producers in a big way. The Indian Farmers Fertiliser Co-operative (IFFCO), with a direct investment of more than Rs 2.5bn is the largest single fertiliser producer in the country. It has plans to expand further and expects that by 1981 its factories will produce 1m tonnes of urea and another 1m tonnes of NPK products, placing it far ahead of any comparable unit in terms of turnover.

Farming apart, the Government hopes to recast the strategy for growth of co-operatives by new schemes. The National Co-operative Development Corporation is being asked to assist the States to increase the share capital base of primary weaver societies so that they can increase their production and marketing activities. At present, such assistance is available only to apex and regional weaver societies.

K.K.S.

Major objectives still not achieved

"THE PLAN is dead, long live the Plan." On the lines of the ancient royalist salute, the Janata Government laid the ill-fated fifth plan to rest a year before it was officially supposed to end, and launched its own sixth plan last year. But despite the cosmetics, not much has changed in either the methods of planning or in the implicit economic model underlying this "new" plan. While this might suggest that the resulting continuity of planning in India since its inception in 1951 is a sign of its success, the Sixth Plan in its stocktaking of the achievements of Indian planning admits:

"We must face the fact that the most important objectives of planning have not been achieved, the most cherished goals seem to be almost as distant today as when we set out on the road to development. These aims—implicit in all our Plans, but more explicitly stated in the later formulations of our development strategy—are universally accepted by the Indian people; they are the achievement of full employment, the eradication of poverty and the creation of a more equal society." As is also conventional in Indian plan documents it is asserted: "The goals are attainable, given only the national will to pursue them without faltering."

Weakness

It is arguable, however, whether these goals are realistic, or indeed whether the form that planning has taken in India is the appropriate means for achieving the desired goal of poverty-eliminating growth. For the central weakness of Indian planning lies in its continued attempt to apply Soviet-style material balance planning (substituting bureaucratic direction for the free market mechanism) to the operation of a mixed economy, where despite all its attitudinising the Government can exercise only limited and at best indirect control over the economy.

The continuing failure to recognise this fatal weakness of the planning process in India is in turn the result of the instinctive identification of planning of the Soviet variety with socialism—the main "religious" tenet of Indian intellectuals since Nehru! This identification of planning with socialism is untenable, however. For planning in the most general sense is merely the delineation of a co-ordinated and coherent set of public policies for maximising economic welfare. To identify a particular set of public policies as coterminous with socialism is to confuse means with ends.

While it is true that there are many good arguments for government intervention in any economy, the appropriate form of government intervention is not always likely to be in the form of Soviet-style bureaucratic commands. Broadly speaking we can contrast two forms of government intervention: (a) that which is indirect and would work through the market mechanism by suitable doctoring of the prices received and paid by individual agents; (b) that which works through direct government controls over the quantities of goods produced and distributed.

Targets

It is the mistaken identification of planning based on direct controls with the doctrines of socialism which still bedevils Indian planning. Thus despite the conclusions of numerous official committees as well as individual experts that the past system of industrial and foreign trade controls—through which the Government has sought to enforce the targets for large-scale industrial output (and investment)—have failed to help the cause of either efficiency or equity in India, the Government is still loth to make a bonfire of these controls.

Socialism is essentially concerned with a more egalitarian distribution of income and wealth. To achieve this better distribution *direct* instruments of policy to attack the inequalities are required. In a democratic society the use of such direct instruments requires at least a popular majority in favour of increased equality. Despite the rhetoric of the Indian Planning Commission and the populist stance of many Indian politicians it is arguable whether any such consensus actually exists in India.

The almost ritual exhortations in Indian plan documents (repeated in the draft Sixth Plan) to stiffen the will of the politicians to implement the land reforms which most economists are agreed would both raise agricultural output as well as improve the distribution of income come up against the stark reality of Indian politics—that in most States as well as at the centre (in terms of Mr. Charan Singh's faction in the Janata party) the kulaks are in power. While the latter may be willing to soak the rich (a decreasing band), they are by no means willing to help the poor, witness their increasing fury at the attempts of various Harijan groups to assert their rights.

Unable—unlike most of their countrymen—to accept the existing inequalities of income and wealth in India, and thwarted by the political realities from launching any frontal attack on those inequalities, the Planning Commission (with the support of most of the intelligentsia) has sought to correct the consequential inequalities in consumption by production planning (at least for the industrial sector), which has sought to determine the relative supply of the various goods available in India.

Not surprisingly, this indirect method of control of the consequences of income and wealth inequality was open to sabotage by the same political forces which wrecked any hope of direct income distribution. Any examination of plan targets and achievements in India conveys the sad message that the shortfalls in targetted capacities and outputs have been greatest for those goods and sectors on which the plans have laid primary emphasis.

Much worse, these targets (in particular for the industrial sector) were based on the crudest notions of import-substitution, without any reference to India's comparative advantage—though over the years, and in particular since the take-off in Indian manufactured exports in the early 1970s, some dent seems to have been made in this autarkic predeliction of Indian planners.

They are still not willing, however, to accept the alternative logic of a system (such as is to be found among many Asian countries) which relies on an industrialisation policy which adopts a neutral stance between import-substitution and exporting, and which in India's case could make the best use of the country's most abundant resource—its relatively cheap (and by now relatively skilled) labour force. For one of the more serious consequences of the heavy industry-biased import substitution strategy that the Indian plans have promoted has been the limited amount of employment generated by the very substantial sums invested

Centre

Sensing this, the Janata Government has put the development of the small-scale sector at the centre of its industrial plans. But the old preconceptions are still there in the new industrial policy. This too seeks to control industry, only this time it is by limiting the expansion of large-scale industry to certain products; and drawing up yet more lists of industries where production is to be confined to small-scale units.

The result is to create a new industrial caste system in which companies are assigned particular scales of production for specific products. Such a policy assumes of course that there are optimum scales for producing the myriad of items produced in the industrial sector, which can be determined by the planners. In a dynamic world where relative prices as well as the mix of available technological choices for different industries are continually altering, there is no sensible way in which even the most intelligent bureaucrats can make such choices.

This brings us back to the central intellectual weakness of Indian planning, namely the belief that because of well-known imperfections in the working of the domestic price mechanism, the latter needs to be supplanted by bureaucratic methods of allocation. However, as the accumulating experience with bureaucratic forms of control in a variety of social environments makes increasingly apparent, because of problems concerning (a) the collection and dissemination of information, (b) coordination of the myriad economic decisions in a complex economy and (c) the structure of incentives in a bureaucratic allocation of economic resources, the bureaucratic system may perform even worse than an imperfect market economy.

Yet there are certain allocation decisions such as those concerning the provision of public goods and services (including infrastructure) which require bureaucratic methods. Even in these spheres the record of Indian planners is not without its blemishes. Thus the era of planning has seen a planned expansion of engineering schools which has led to a serious problem of unemployed engineers, as well as planned levels of power generation which have been inadequate to meet demand, leading to a crippling industrial output. While the emphasis placed in the Sixth Plan on a rapid utilisation of India's irrigation potential is commendable because of the resulting effects on agricultural production as well as the ensuing increase in the demand for rural labour and the accompanying reduction in rural poverty, it contrasts with the relative neglect of this aspect of infrastructural development in earlier plans.

India has thus set up a complex—and by Third World standards relatively sophisticated—machinery of planning. But the ideological predilictions determining the form of material balance planning that has been adopted is completely inappropriate for a sub-continental mixed economy, where the Government can at best exercise only limited and indirect control over the legions of private decision-making units, and in which the dangers of bureaucratic failure are at least as serious as those of market failure. Coupled with the failure to face the political realities which make any genuine attempt at income and wealth redistribution virtually impossible, this has led to the increasing divergence between plan and performance which over the quarter-century of Indian planning has become its major characteristic.

Until India's intelligentsia (including its politicians) face up to this reality, the chanting of the same five-yearly mantras by the Planning Commission, while it might impress the multitude, is unlikely to provide any lasting solution to the endemic problem of Indian poverty and economic stagnation.

By a Correspondent

A new five-year plan

PLANNED development has been retained by the Janata Government although some conceptual changes—resulting in a "rolling plan" in the place of the usual five-year plans—have been introduced. But it is encountering considerable difficulty in having its first plan for the period 1978-83 accepted by the states, all of which are members of the National Development Council (NDC) which must formally approve the Planning Commission's draft. This is now expected in the next two or three months.

Should the approval come, the country will have its largest ever five-year plan to implement. Investments envisaged are a colossal Rs1,162bn (about $145bn), of which the public sector share is Rs694bn (which is what really matters since the Planning Commission cannot really plan for the private sector). If all goes well with implementation, the plan will achieve an annual growth rate of 4.7 per cent in the hope that the basis will be laid for a 5.5 per cent growth rate annually in the 1983-88 period.

Finalised

The plan document still has to be finalised, particularly to decide the share to be implemented by the states, as well as inter-sectoral outlays. The original draft bases the growth rate target on the premise that first, the pattern of investment and income should be such as to redistribute incomes in favour of the poor and second, the physical and industrial incomes should be "projected with a greater deal of realism than in the past." It assumes that agricultural output will increase by around 4 per cent annually and expects the industrial growth to be 7 per cent (as compared with the average of 4.3 per cent in the past).

Tentative sectoral outlays show, however, a relatively modest rise for agricultural and allied activities which get Rs 86bn (or 12.4 per cent of the plan) as compared to Rs 53bn (or 11 per cent) in the previous five year plan. Taken together with irrigation and flood control, which get Rs 96.5bn, this is still a relatively smaller rise than was expected from a Government which wanted a rural bias to development. The largest sectoral outlay is, in fact, for energy, science and technology, to which Rs 208bn (30 per cent) of the plan has been allotted. Industry and minerals get Rs 103bn (14.9 per cent) and there is, therefore, just a slight tilt away from industry towards agriculture.

Some of the major targets to be achieved by 1982-83 are: food grain 144m tonnes; sugar cane 188m tonnes; cotton 92.5m bales (of 170 kg each); coal 149m tonnes; crude oil 18m tonnes; nitrogenous fertilisers 4.1m tonnes; phosphatic fertilisers 4.1m tonnes; cement 30m tonnes; mild steel 11.8m tonnes; and electricity generation 167 GWh.

Some of the production targets for the 10-year period ending 1987-88 are: grain 169m tonnes; sugar cane 225m tonnes; oil seeds 13.6m tonnes; nitrogenous fertiliser 6.3m tonnes; mild steel 15.4m tonnes; and electricity generation 265 GWh.

Financing of the public sector plan will involve additional resource mobilisation of Rs 90bn by the centre and another Rs 40bn by the States. Market borrowings are placed at Rs 160bn, while net external assistance is assumed at Rs 59.5bn. Borrowings against utilisation of foreign exchange reserves is placed at Rs 11.8bn.

Surpluses

A massive Rs 102.9bn is expected from surpluses of public sector enterprises, while resources from existing levels of taxation are estimated at Rs 128.9bn. Taking other minor sources (small savings, provident funds, term loans of financial institutions and miscellaneous capital receipts), the plan leaves an uncovered gap of Rs 222.5bn, which will be met by deficit financing if real resources are not created.

The draft says: "In view of the massive investments proposed to be made in agriculture and rural works of various kinds, earnest efforts must now be made to recover a part of the increased rural income for reinvestment in the public sector.

"In view of the evidence of unequal distribution of rural assets (especially land), the equitable way of doing this would be through appropriately structured taxes on agricultural income or progressive surcharges on land revenue.

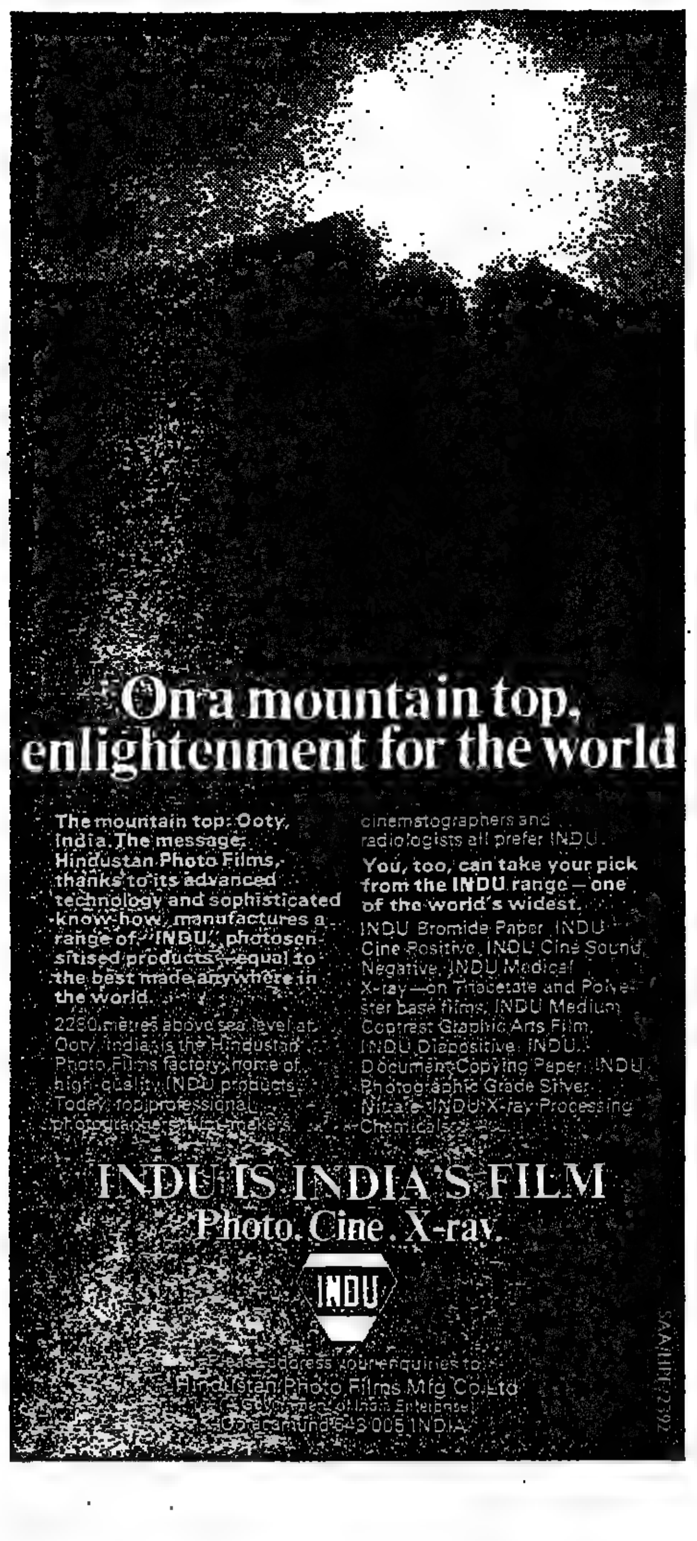
"Various forms of increased savings may be considered, such as increased contribution to provident funds, group insurance schemes and rural debentures. As regards taxation, besides examining the limited scope of raising the taxes on income and wealth and rates of commodity taxation, a part of the capital gains on development urban land and property may also be appropriated in the state treasuries."

The Plan expects exports to rise from Rs 11.4bn in 1976-77 to Rs 77.5bn in 1982-83 and imports from Rs 50.8bn to Rs 105bn, so that there will be a planned trade deficit of Rs 88.2bn. After allowing for a deceleration of inward remittances, earnings from invisibles are put at Rs 54.7bn. Debt servicing will account for Rs 44.3bn and assistance to other countries will come to Rs 3.5bn. On this basis, the gap in the balance of payments works out to Rs 92bn.

Gross inflow of aid is estimated at about Rs 80.2bn, and the document says that "higher levels of aid do not seem to be either feasible or desirable." The remaining gap of about Rs 11.8bn would be bridged by drawing down the country's foreign exchange reserves, which were above Rs 40bn at the beginning of the plan. The net inflow of external resources (including the use of the reserves) would be less than 5 per cent of the plan outlay.

The plan has been formulated on the basis that this savings rate will rise to 23.4 per cent by 1982-83. The most important component—household savings—is assumed to increase from 16.4 per cent of the disposable household income in 1977-78 to 17.4 per cent in 1982-83.

K.K.S.



VIOLENCE

No worse than in any year

LAST YEAR certainly seems to have been a violent one in India. Aligarth, the seat of the country's leading Muslim university, was under curfew for 85 days because of clashes between Hindus and Muslims. There were murderous battles between Sikhs and members of the Nirankari sect, which the Sikhs regard as heretical, and violent protests in Maharashtra over the renaming of a university after the *harijan*, or untouchable, author of India's constitution. Government property is still being attacked in Bihar and Uttar Pradesh in protest against reservation of Government jobs for the backward castes. Bihar has also recently seen a sudden rash of urban political murders.

These, of course, are only some of the headlines. There has also been at least the normal quota of village level violence, atrocities on *harijans*, reprisals by *harijans*, harvesting and land disputes and the settling of political scores. Labour has been violent, too, with 7,000 reported cases of assault in the Bombay industrial belt alone.

This certainly makes depressing reading, but it would be difficult to prove that 1978 was a particularly violent year. Since independence there have been a series of violent upheavals—language riots, riots about state boundaries and religious riots, which would have shaken the very foundation of any but the most stable of countries. This year has not seen anything on the scale of the West Bengal troubles of the late 1960s, or the riots in Andhra Pradesh in the early 1970s. Nor is it easy to discover whether the countryside has been any more violent than usual.

So it is quite legitimate for Mr. Desai and his Janata Party to argue that things are at least no worse than they were before. On the other hand it is equally possible for Mrs. Gandhi to make out that the Janata Party is incapable of controlling the country, conveniently ignoring the fact that there has been considerable violence in the two southern states of Andhra Pradesh and Karnataka ruled by her party.

There is little doubt that Mrs. Gandhi has won this political battle. The impression has got about that 1978 was a very bloody year and that the violence was due to the incompetence of the Janata Government. Regrettably for the Government it is impressions not facts which count, especially with an issue as sensitive and yet difficult to quantify as law and order.

Of course, the Janata Party has not helped itself. The apparently unending dispute between the Prime Minister, Mr. Desai, and his former Home Minister, Mr. Charan Singh, has inevitably given the impression of a party divided against itself, and has led to unfavourable comparisons with the apparently monolithic unity of Mrs. Gandhi's emergency Government. This point has needless to say not been missed by Mrs. Gandhi. By questioning the ability of a divided Government to maintain law and order she has helped to create a climate of uncertainty if not actually violence.

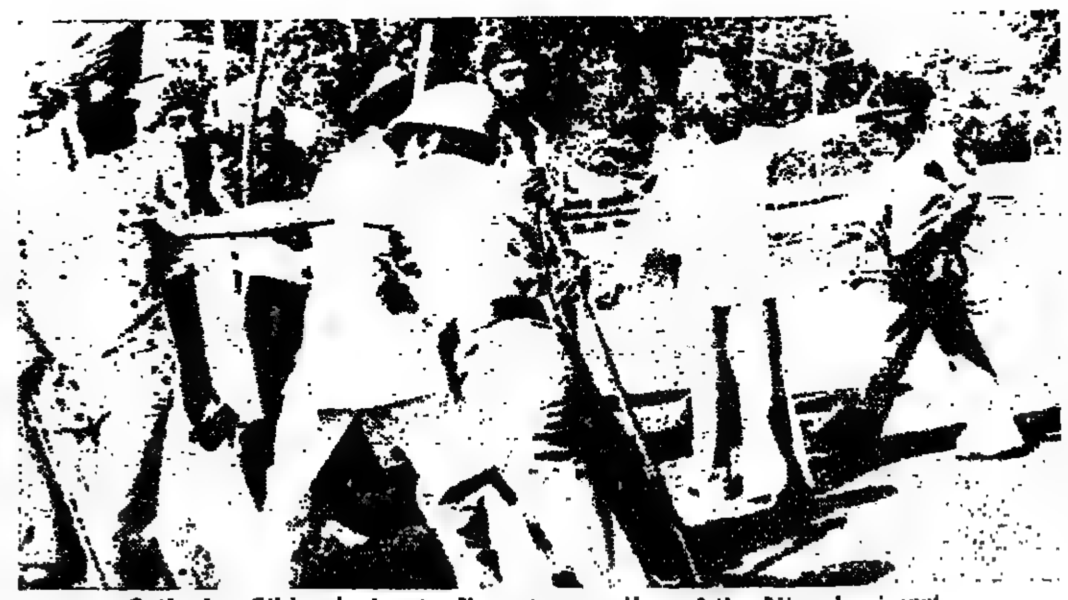
The Press cannot be said to have been very kind to the Government which gave it back its freedom. Of course Indian editors argue justifiably that it is not the job of a free Press to be kind to any government. A few journalists have tried to set the pattern of violence this year into some sort of context, but for the most part the Press has been content to make long statements condemning the law and order situation as just another sympton of the Government's weakness. The foreign Press, to be fair, has not been any more responsible. During the agitation following Mrs. Gandhi's arrest in December a journalist friend was rung up from London to find out why the whole country was in flames, whereas in fact the response was very disappointing from Mrs Gandhi's point of view. The violence was limited to the two southern states with Congress Indira governments, Tamilnadu, where the Anna DMK Government had taken a stand against her arrest, and one pocket of Maharashtra where her party is strong. Two calls for a general strike in Delhi were disastrous flops, as was the Calcutta "Bandh." The impression created by western reporting of this particular incident seems to illustrate how dangerous it is to play the numbers game in a country as vast as India.

Disturbed

But whether 1978 was a particularly disturbed year or not, the Janata Government can claim little credit for its record on law and order. On several occasions bad mistakes were made. The party must have known it was heading for trouble in as important a Muslim city as Aligarh when it made a leader of the Hindu extremist RSS (Rashtriya Swayam Sevak Sangh) president of the local party. In principle it was very laudable of Mr. Desai to defend freedom of worship by insisting that the Nirankaris should be allowed to hold their annual meeting in Delhi in spite of Sikh protests and two earlier clashes between the communities, but was it really necessary for him to allow them to mount one of the most ostentatious jamborees of the year right in the centre of Delhi? Whether it was or not, no one in Delhi was in the least surprised that it led to running battles between the police and the Sikhs.

A retired army officer who has spent a great deal of his career in Nagaland was not at all surprised by the violent flare-up on the Assam-Nagaland border after Mr. Desai had flatly refused to consider re-opening the question of the border between the two states.

Far more serious in the long run could well be the inter-caste violence in Bihar and Uttar Pradesh. There the two Janata Governments are hoping to consolidate their support



Orthodox Sikhs, trying to disrupt a meeting of the Nirankari sect, clash with police in New Delhi last summer

among the so called backward castes, by reserving Government jobs for them. Previously jobs were only reserved for the tribals and the untouchables. This led to a feeling among the backward castes that they were being squeezed between the newly privileged harijans at one end of the social scale and the well educated upper castes at the other end. The backward castes certainly have a case, and it is a case the Janata Party must back because these castes form the basis of the party's support. But Bihar and Uttar Pradesh are notorious for the corruption and inefficiency of their administration and police, and the Janata governments should have taken them into account before launching a policy which was bound to inflame the influential upper castes.

But the most serious criticism of the Janata Government, however, must be its failure to tackle reform of the police or the law. The Indian police are still essentially the same law and order enforcing agency that the British left behind. Unmoved by any conception of service to society, they remain as much the enemies of the public now as they were when they were the main arm of India's colonial masters. Untouched by any vestiges of modern science, their methods of detection and crime prevention are almost medieval, as the excesses of the Emergency showed. Unprotected by their superiors they are the pawns of local political bosses. Even when it comes to doing what they were traditionally good at doing — riot control — they all too often lose their tempers and become more violent than the rioters themselves. To set up a police commission is no answer.

The failings of the police are so obvious that any government with the will could set about tackling at least some of them without waiting for the result of a commission. Unfortunately, the Janata Government has shown no such will.

The second problem, which of course affects the functioning of the police, too, is India's archaic and inefficient courts. Anyone who wants a telling testimony to this role in the corruption of Indian society should read Mary Tyler's remarkably unemotional account of her attempts to secure a fair trial in India. There cannot be many countries in the world where the old adage "justice delayed is justice denied" is truer than in India. Of course, the Janata Government has weakened its own position by doing away with the policeman's normal way of bypassing the courts: summary arrest.

It is hardly surprising that four states have now introduced their own laws for preventive detention and others are likely to follow. A recent Amnesty International report has pleaded for the total repeal of preventive detention in India. There is no doubt that this shortcut has been and continues to be misused, but there seems no alternative to it as long as the courts make it so difficult for the police to secure a genuine conviction.

Since the Janata Party came to power, Mrs. Gandhi has shown only too clearly how easy it is to make "the law an ass." But the Government appears quite unperturbed by this. Until it is, there will always be the risk that it will be forced back on the draconian methods of Mrs. Gandhi's later years, which it has rightly condemned.

The Government complains that neither the Indian nor the International Press gives it credit for its achievement. I believe the Janata Party has made very real achievements in many fields but I do not see any in the important fields of maintaining law and order. Even if the impression of lawlessness is worse than the reality, the Government can take no credit for that.

Mark Tully

BRITISH AID

Too many strings

BRITAIN GIVES more aid to India than to any other country but until 1978 it has been almost exclusively in the form of funds tied to the procurement of British goods and services, most of which have little direct effect on India's predominantly rural population, where low agricultural productivity and lack of access to water and land are the major causes of poverty. It is paradoxical that a significant change in Britain's aid policy to India is occurring at a time when India's foreign exchange reserves have reached record heights, after a succession of good harvests, and a good three years after a British Government White Paper pledged to give "more aid to the poorest" (meaning the poorest people as well as the poorest countries).

The significant change has been the decision taken six months ago to finance the local costs of aid projects out of the proceeds of the once-and-for-all aid-debt write-off.

Britain has been India's largest bilateral donor throughout the 1970s, a role held by the U.S. in the previous decade. In addition to the £106m (gross) channelled bilaterally in the financial year 1977-78, Britain subscribes about a tenth of the funds of the International Development Association, the soft loan facility of the World Bank which allocates about 40 per cent of its resources to India. But because of the size of India's population and the scale of the economy, Britain's net bilateral aid spending amounts to barely 12p per head per year — whereas in several African and Caribbean countries the figure is in excess of £3 per head — and the aid flow can have at best only a marginal effect on an economy with a GNP of around £50bn.

Deficit

Because India takes such a large slice—between a quarter and a third—of British development assistance, and partly because Britain runs a trade deficit of £100m with India, the aid spending has been hedged with a mass of restrictions which are not applied to some less needy countries. Chief among these has been the requirement tying aid to British equipment purchases and technical assistance—though there have been exceptions.

Untied funds for debt relief, for example, have been provided annually on an ad hoc basis and a £3m family planning grant, though carefully monitored to ensure that the expenditure had no connection with the enforced sterilisation programme, financed local costs only. Technical co-operation accounts for about 3 per cent of the aid programme.

But in the main, areas have had to be found where British exports can be used. Maintenance aid has been the largest single item during the 1970s. It finances components, spares and industrial materials for existing productive capacity.

The Indian government has complete discretion in deciding what to import from Britain with maintenance aid. It can thus finance goods which would otherwise have been bought. In this case procurement tying has little or no cost. But much of the rest has been also tied to projects and new capital investments, often in the coal, power, shipping and fertiliser production sectors. Although these are all priority sectors in India's industrial development programme, too often the goods supplied are chosen with a view to supporting depressed capital goods producers back home.

Since 1975 all British aid to India has been in the form of grants, and loans were interest-free during the early 1970s, so the policy was aimed at providing highly concessional development assistance and saving India foreign exchange while avoiding a drain on the British balance of payments. The expectation that tied aid will lead to further commercial orders of equipment is, however, more than a gleam in every donor's eye—or at least in the eye of the donor's Treasury or Trade Department.

In some cases aid to India may have displaced commercial purchases; some spare parts could only have been supplied by British exporters. But maintenance aid has also been used for such items as special steels not produced in India and explosives, which could have been purchased from other foreign suppliers. British aid funds totalling £25m have assisted three recently completed fertiliser plants but Britain is being squeezed out of the market for commercial orders for process plant in this field by the Japanese and the Germans.

Britain is currently providing a £53m grant for the supply of six cargo ships being built at Sunderland. This is not a commercial order—indeed it succeeds a previous £34m aid grant for four cargo ships in the early 1970s—and has required an additional subsidy from the British Shipbuilding Intervention Fund in order to lower the book price which the user, the Shipping Corporation of India, will pay.

On the one hand British shipowners consider this a perverted form of aid which will do lasting damage to the competitiveness of the British shipping industry; on the other, the order has created 3,000 man-years of employment in a surplus capacity UK industry and in a depressed area.

Since the Indian Government is aiming to increase shipping capacity from 5m dwt (covering only 28 per cent of its overseas trade in 1978) to 8.6m by 1980, some orders would have been placed abroad, so aid tied to British-built ships and absorbing unspent aid allocations at least pre-empted a similar order being placed with shipbuilders in the Far East. Success in obtaining repeat orders of a commercial nature hinges chiefly on prompt delivery, but the whole affair has only the remotest connection with aiding India's poor.

It is perhaps unwise to attempt to analyse the reciprocal effects of aid within a particular commercial sector. Mrs. Judith Hart, the UK Minister for Overseas Development, has claimed that Britain's aid programme provides 43,000 jobs in the UK. India's share would therefore account for 15,000 jobs in export industries. Moreover, the existence of a substantial aid flow, together with visits from Mrs. Hart and Mr. Callaghan in the last 18 months, has less tangible effects, as well, such as creating a climate of good will between governments.

Capital aid on grant terms frees a corresponding amount of Indian Government resources so long as the projects chosen would have been undertaken in its absence. If the Government so determines, it can even release resources for allocation to "grass roots" projects in the rural areas, where 10 per cent of the households are landless and over 50 per cent of them farm less than one hectare. The aid therefore supports the government in pursuing its overall policies.

But there is concern that so little of British aid helps peasant farmers directly. Some 4,000 tractors were provided in 1970-72, but aid to agriculture only really got underway after a visit in 1974 by the natural resources adviser to the Overseas Development Ministry (ODM). Even then, most has been in the form of equipment and high-level consultants, which means that very little of the aid filters down to local levels.

But over £250,000 has been committed this year from the ODM allocation to support small projects for agricultural exten-

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Kipling and myths of Mother India

THERE IS a popular belief that India, more than any other nation in the world, leads two lives. Quite apart from the immediate tribulations of its precarious social and economic existence, it is held that Bharat-*mata* (*Mother India*) has another, deeper reality, a mystical presence that is timeless. When glib journalists and pragmatic politicians say that, despite all indications to the contrary, India will somehow live on, they are referring, however lightly, to this notion of secret strength. The image of India as a literary idea for the *Western reader has, I think*, been influenced by this myth of dual identity.

For Kipling, for instance, the imperialist law had to be imposed with such severity precisely because India had an identity so unique and indelible that anything weaker would have wilted in the heat and dust. As the sun began to set *on the British Raj after World* War I, and writers questioned the hegemony of Western political and ideological domination, Yeats proposed that the Vedantic way may be the wisest one, and Eliot closed the *Waste Land* with a plea for cosmic peace — *shantih* — based on the Buddhist credo.

For the Western writer India came to *suggest another* "way of life"; the possibility of late romantic quest as an alternative for those infected by late-capitalist *Angst*. So potent and durable is this mythical India that Adil Jussawalla introduces his invaluable anthology of new Indian writing with an attack on Cyril Connolly's version of the myth in the 1970s, of India as "the sub-continent of wisdom, love, poverty and overcrowding . . . golden 'apsaras'—set appeal in stone . . . hippies hitch-hiking to this erotic paradise."

It is true that these versions of India that I have cited are the visions of foreign writers. It is also true that for most *Western readers they provide* the privileged view. Indo-Anglian writers come next in influence, but because they write in English, they are too easily assimilated. For instance, any consideration of their work as evidence of the cultural per*sistence of a colonial past*, which would have interesting consequences for the literary *history of India*, is too often forgotten in the euphoria of spurious literary comparisons—R. K. Narayan is Tchekovian, Desani is India's Flann O'Brien, Mulk Raj Anand is Zolaesque. One of the most valuable qualities of the best modern writing *in the Indian languages, since* the 1930s and 1940s, has been the de-mythicising of the exotic orientalist's India; it is concerned much more with the experience of India as a lived reality, receding from romance and acceding to a sterner realism.

Of course, the "experience of India" is hardly tenable even *as a convenient critical* category. The Sahitya Akademi (National Academy of Letters) recognises and *promotes* Indian literature written in 20 languages: Assamese, Bengali, Dogri, English, Gujarati, Hindi, Kannada, Kashmiri, Maithili, Malayalam, Manipuri, Marathi, Oriya, Punjabi, Rajasthani, Sanskrit, Sindhi, Tamil, Telugu, Urdu. *This makes a truly com*prehensive, comparative survey almost impossible and makes the critic dependent *on trans*lations for the vast majority of languages he does not read.

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Surprisingly, Maharashtra's avant-garde novelist Kiran Nagagarkar has found that more interest has been *shown* in publishing his experimental black comedy *Sat Sakkan Trechallis* in English than in translating it into any of the other Indian languages. But most English translations (those of Jussawalla, Raeside and Coppola are among the few notable exceptions) are merely careless, ungrammatical approximations, which give no *feel* for the quality or the ingenuity of the original. Gauri Deshpande's translation of Dalvi's controversial novel *Chakra* actively destroys the power and authenticity of the original by translating the demotic marathi *of Bombay's zopadpatti* (shanty-town) dwellers, into a messy imitation of B-movie slang.

However, amid all this linguistic and literary diversity *it is possible to make some* general observations on contemporary Indian writers, based on their understanding of their social role. K. B. Vaid, a prominent Hindi novelist speaks for most serious Indian writers when he pledges his commit*ment to the* "portrayal of poverty, hunger and disease; portrayal of widespread social *evils and illusions*; examinations of the survival of the past; explanation of the hybrid culture of the educated middle classes; analysis of the innumerable dislocations and conflicts in tradition-ridden society under the impact *of an incipient half-hearted* industrialisation."

Such zeal may seem unfashionable to those who believe with Auden, that literature *can* "make nothing happen," but the persistence, among Indian writers, of a tradition of social commitment must be seen in its historical and political context. As in other colonial societies, many educated, progressive Indian intellectuals who supported India's claim to freedom from the Raj, were deprived, at that *time, of positions* of social power and influence. They sought both, however, by turning to literature *where direct censorship* was more difficult and the scope for creating social awareness and sensitivity enormous. Moreover the very act of writing in an indigenous language could be subversive, *creating a cultural* identity in a milieu where the presence of English was a pro*vocative sign of cultural domina*tion. Maharashtra's pioneer poet Veer Sawarkar had his poems proscribed and was later deported to the Andaman islands.

But the involvement of Indian writers in the nationalist struggle was not uncritical. Many intellectually sophisticated writers could not accept *the ideology of Gandhiism* as an avatar of the Harikatha legend, as the villagers had in Raja Rao's *impressive English novel Kanthapura.* Madholkar's marathi novel *Pramadwara expressed cynicism* about Gandhiism after the 1942 Quit India movement. Yashpal even defended the Communist Party's defiance of Gandhi's call for non-co-operation with the British Army in that year. It is Yaspal's marxist classic in Hindi, *Jhoota Sach* (False Truth) published in 1957, that takes a panoramic view of the hopes of Independence, the horrors of partition and the sordid scramble for power after *Independence among high*-sounding Congress politicians. *Jhoota Sach* is particularly significant for its concern with the complex problems of communalism, which once dramatically flared up in the Hindu-Muslim riots, but still persist with the tacit support of the right-wing Hindu revivalist Jana Sangh party.

The sobering experience of post-independence politicking turned many writers away from explicitly *political art*. In the late 1950s and early 1960s both Hindi and Marathi writers wrote the inward, subjective *nai kahani* (new Story). The *political dogmatism* and pragmatism of nationalist literature was replaced by a commitment to seeing politics not as a problem or an ideal, but as Verma, a leading exponent puts it, "a relentless, living contest in which we find concentration *camps, racial segregation* and the down-trodden poor of India."

The tone of the new story is *often ironic, its vision darkly* "existentialist," and its form subversive of conventional narrative traditions in its relentless play with the ambivalences and ambiguities of the first-person confessional mode. In *Dedh Inch Oopar* (An Inch and *a half above Ground*) *Verma* explores the total disorientation of a desolate man who discovers, *after the SS have killed his wife*, that, unknown to him, she had been a resistance worker. But for the reader, the narrator's reliability is in question because *he's drunk—the story is at once* a shrill *cri de coeur* and the rambling confession of a tipsy old man.

In the work of Mohan Rakesh, another of the new storytellers, the subtle yet deadly social pressures of sexual politics get close attention. Miss Pall, monstrously fat and ugly, flees from New Delhi to avoid the gossip, jokes and *sexual innuendoes* that surround her. But, ironically, she has to confront herself most cruelly in the eyes of village children who are quite simply horrified by her ugliness.

If the new Hindi story studies the process of social exclusion —the outsider—the new Marathi story examines such *Angst* in the large inclusive structures of joint-family, caste, community. Pendse, whose "regional" novel *Garambica Bapu* (Wild Man of Garambi) has been beautifully translated by Ian Raeside, explores the relationship between changing social structures and mores in rural Konkan. In *The Rough and the Smooth* (the title *story in Ian Raeside's anthology* of Marathi short stories) Gadgil takes a witty, wily view of the oppressive world of the urban, middle-class Maharashtrian joint-family, as experienced by the most oppressed member—the youngest daughter-in-law!

Last year, during the Emergency, Durga Bhagwat lashed out at the illegality and repression of the regime at the *Marathi Sahitya Sammelan* (Writers Congress). She was promptly arrested. It is still too early to expect a sizeable imaginative work on that black period. For the moment the book market is flooded with instant journalism which satisfies the demand of a censored, blinded people for the news, however late, of what actually happened to them. But the real literature of the Emergency had, at once, nothing and everything to do with those 18 months. It is the work of emergent groups, unknown poets, who saw the oppression of the poor and the lower castes coupled with the growing tyranny of the state. For them the Emergency pre-dated 1975 and the Sanjay phenomenon and has already *outlived* them both. Years ago in 1972 Shakti Chattopahyay, founder of the Hungryalist Movement in Bengal put it poignantly:

> Conscience now is circumscribed. . . . Today we limit ourselves to darkness. Cruelties new and plentiful have been devised, that will come close to friends, to beloved men and women, as they fear and believe, and on some old or new pretext, stab them in the heart — man will die against trees. Yet in the moonlight I see the tiger's *reckless look, the face of the* devil—the goal is not to unite people. . . .

The Dalit writers of Maharashtra represent a synchronous political and literary development. Most of them are "untouchables," and writers like Kharat, Dangle, Dhasal and Pawar believe that India is a nation divided into the *achut's* (untouchables) and the poorer classes, on the one hand, and the caste Hindus, capitalists, and *the privileged bourgeoisie on the* other. Their work is aimed at displacing this dominant con*junction*; to gain literary acceptance for them is also a way of gaining political influence.

The best work on the Emergency in English is undoubtedly, a collection of essays written by Ashok Mitra before the Emergency was announced. In a passionate, polemical tone, Mitra revealed those moments in the nation's "stream-of-consciousness" when its corrupt actions vitiated its proclaimed ideals. He warned of the arbitrary use of the coercive state apparatus, the suppression *of individual and collective* freedoms, the silencing of effective opposition.. Like some of *the best writers who, in their* work, have forced the moment to its crisis and foretold its fear*some consequences in fiction.* Mitra's essays showed that the historical, documentary fact was even more *horrifying* than anything that literature could prophesy. What is particularly *impressive about this tradition* of socially committed writing that I have traced is the power that it derives from the lives of those that are, in fact, powerless.

Homi Bhabha

British aid

CONTINUED FROM PREVIOUS PAGE

sion, irrigation and health services in the rural areas run by British voluntary agencies, *under* the joint funding scheme which pledges one pound for every pound raised for approved voluntary projects. The scheme is likely to expand in the future.

Problems of channelling more official aid to rural development have occurred at both ends of the relationship. *One* relates to Britain's administration of its aid in India.

Although ODM runs regional development divisions abroad for five major areas of the world where aid is disbursed, India is not covered by a development division. Instead, aid is handled there by a section of the British High *Commission* in Delhi, with the British Council taking a hand in dealing with technical co-operation. If Delhi had a development division, however, there would be a permanent agricultural adviser on hand to identify and appraise rural development projects.

The reasons why Britain does *not* have a regional development division for its largest aid programme are numerous but far from convincing. It is claimed that a regional office involving Pakistan and other countries would displease the Indians, but the size of the programme warrants a *division* purely for India. On the other hand, Indian planners are assumed to be so sophisticated that the activities of a development division would be considered not only a duplication of work but an affront.

Yet the main reason for the underspending on aid to India (about £20m a year recently) is that enough suitable projects have not been identified. While Britain now aims to spend more on rural *development*, the lack of projects is still an impediment.

On the Indian side, the problem is that although India traditionally *suffered from* a foreign exchange shortage—one justification for the large capital aid projects in the past—this no longer applies and funds for *local costs are now* the main resource constraint on implementing rural development projects.

Argued

The Indian Government has argued in sessions with the Aid India Consortium, of which Britain is a member, that its large foreign exchange reserves (now over $6bn) are only a temporary *phenomenon*. They could be exhausted by a couple of poor harvests and their major source — remittances from migrants working mainly in the Middle East (remittances from Indians in the UK account for only about £50m per year) and proceeds from Indian turnkey projects in Iran and other Middle East countries—could easily dry up. Consequently, India does not wish to see the flow of concessional foreign aid (or its equivalent) reduced.

ODM has, however, devised a system whereby nearly a quarter of its aid will now be used to finance the local costs of projects in India. In July, 1978, after the UNCTAD debt meeting, Britain announced it would be *relieving the aid-debt* of 17 of the poorest countries in the world. India is the major beneficiary of this "retrospective terms adjustment" since the *debt service payments* on its past British aid loans contracted between 1958 and 1975, worth £576m between 1978 and the end of the century, have in effect been written off. India will continue to make the debt service payments, but Britain will return a corresponding amount annually (about £25m in the initial years) as a grant to be used to finance local costs.

The way is now open for more British aid to rural communities, consistent with the 1975 White Paper, on projects where local costs account for all or most of the requirements. In addition, this year Britain wil be spending £10m on mobile health clinics for the rural areas and £30m worth of fertilisers is being given for sale to benefit *farmers in 3,500* villages throughout India. Aid may also be given to improve the use of waters of the Ganges and Bramaputra if agreement can be reached with two other interested governments. The heavy capital and intermediate goods aid — earth-moving equipment, power installations and maintenance aid —will also continue.

India is likely to remain the largest recipient of British aid, although the ways in which the aid is used are changing. One reason why bilateral aid to India may increase further is *that India* receives relatively little of the aid given under the EEC's assistance programmes which are funded by the nine member states. India receives EEC *food aid but* very little financial assistance through EEC channels in comparison with the countries of Africa, the Caribbean and the Pacific which are parties *to the Lome* Convention. There is no prospect of India either wishing or being allowed to join a new Lome Convention, so unless the EEC agrees to increase substantially its aid to the non-associates Britain will want to redress the imbalance by maintaining a large bilateral aid programme to India.

Adrian Hewitt

Exhibitions in Britain offer new perspective

BARRING ONLY some political or diplomatic disaster, Britain can look forward confidently to a rediscovery of Indian culture in 1981. The Indian Government is planning to collaborate in a series of exhibitions to include objects from the collections of India's own museums for presentation in London at that time.

The multi-limbed "much maligned monsters"— as Partha Mitter recently described Indian sculpture in a brilliant book on the history of European reactions to Indian art—are therefore coming to London in what now seems likely to develop into a veritable Indian festival. Not only will there be the exhibition in the Arts Council's Hayward Gallery, but it has been proposed that each of the major London museums, as well as some in the provinces, will have an exhibition of its own on different aspects of Indian art and culture.

It is hoped that the Hayward Gallery exhibition will consist largely of objects on loan from India, many of them not seen previously in Europe. The Victoria and Albert Museum is *proposing an historical survey* of India's decorative arts, drawing from world-wide collections (including of course, its own immensely rich one), to include the later periods—the courtly and urban arts which flourished under the patronage of the Moghuls and other princely Hindu and Moslem courts. It may be that Indian craftsmen will demonstrate their traditional skills in an area of the exhibition which will evoke an Indian street.

Ironic

It is perhaps ironic that space will have to allocated for a special exhibition of Indian art in Exhibition Road because, until 1955, there existed the Indian Museum as part of the *Victoria and Albert Museum* complex—at the time without challenge the best in the world in its documentation. Alas, the Indian Museum was dismantled and, worse the casts of major architectural masterpieces like the Sanchi gates broken up. Some objects went back to India or were dispersed in England. How many people today know, for example, that Hastings Museum has in its rooms a complete Durbar hall?

It is also tentatively proposed that, as part of the 1981 programme, the British Museum will devote space to recent archaeological discoveries, particularly of India's pre-history, *with special reference to the* discoveries made in India since 1947. The Museum of Mankind will attempt an exhibition on the theme of "Growing up in an Indian village," which will show the stimuli for an Indian child as he grows up in a typical village as an example of a complex process of acculturation. Such an exhibition—devoted more to anthropology than art in the restricted sense—*would have to show objects,* even part of the actual village itself, perhaps in the style of the enormously successful exhibition in the same museum of Yemen's San'a during the 1976 Festival of Islam. This exhibition, together with the one at the Victoria and Albert, would be of great relevance for the Indian communities in Britain, especially for the children of immigrants who have little chance in Britain of coming into contact with their cultural roots.

In conjunction with this series of exhibitions it is hoped that there will be co-operation and participation—as for the Festival of Islam—from other museums and private galleries throughout the country. There should, ideally, be a concurrent music and dance programme and, *certainly,* a *film festival.* What is most lacking at the present stage of planning—and surely will soon be remedied—is a major exhibition of Indian architecture, because however *successful the organisers of the* other exhibitions will be, their objects will be seen out of the architectural context which in India is almost always the main inspiration and *raison d'etre* for the creation of sculpture and even portable objects.

Perhaps the setting for these pieces, and an evocation of the Indian landscape and the importance of their natural and architectural setting, at least could be attempted by showing a series of drawings such as those of the famous Daniel brothers and the magnificent work of the old Indian Archaeological Survey of India and such crucial figures as Lockwood Kipling, the *famous writer's father.*

There has not been a major Indian exhibition in Britain since the Great Indian Exhibition at the Royal Academy to mark Indian Independence in 1947-48. Since then the Americans, the French, the Germans, the Swiss and the Japanese have had major exhibitions. An important one is currently on show in Paris. There is reason therefore to be thankful for the personal initiative of the British High Comissioner in New Delhi, Sir John Thomson, and the efforts of the visiting arts units in this country, who have now made it possible that Britain again will be able to give Indian art the attention it deserves.

The Hayward Gallery exhibition, which will include 300 to 400 objects ranging from the Mauryan period to the 19th century, will consist almost exclusively of sculpture and painting and, in the mind of the organisers, it is intended to show the "Indianness" of Indian art, its essential characteristics and uniquely indigenous elements.

It may be possible that a small stone temple from a site about to be flooded will be dismantled and brought to London—a counterpart of the evocation of Cace I of Ajanta in Paris.

The British public therefore will be able to come to grips with an art tradition which has long been misinterpreted and, indeed, has frightened off the average Westerner. In this, the exhibition might not be very different from the Paris exhibition. It is hoped, however, that *certain themes, other* than historical and chronological, will emerge as a result of bringing the objects together, but it is too early at this stage to define which of these *themes will* direct the exhibition. Perhaps it will be divided historically; or according to the four main religions: Hinduism, Buddhism, Jainism and Islam and their offshoots; or on the interplay between Indian life, thought and practice.

The organisers are choosing a difficult brief and one might well question the need for such an exhibition on "traditional" and grand lines. In London the objects will be by definition out *of context. To focus exclusively* on their aesthetic appeal may even widen the cultural gap rather than bridge it; as such a cool (Occidental) look at an art which is never devoid of ritual significance and almost always an integral part of a building, religious or otherwise, surely must impose on it a 20th century interpretation perhaps as arrogant as was its dismissal by the Victorians.

Lessons

There are many lessons to be learnt from Indian art but these lie more in spheres other than the purely aesthetic approach. Perhaps an exhibition which concentrated on one theme might therefore more successfully illuminate this difficult problem.

Philip Rawson's very successful "Tantra" exhibition at the Hayward Gallery in 1971 is perhaps the best precedent for an exhibition focussed on one single aspect of a culture in all its detail and artistic manifestations. "Shiva and the dance of creation," or "The Buddha and the inward eye," might be others. The time has surely come, it might be argued, when we can leave behind the great survey exhibitions so popular in the colonial 19th century.

Instead, we should have arrived at the detailed point of interest of a great culture whose art we hope to exhibit. We should wish to guide the many visitors to India—and a post-colonial generation of Britons—towards a real appreciation of the range of artistic manifestations of a culture rooted in a complex *philosophy* and a difficult and alien religious iconography. It should be possible to devise a series of exhibitions which would demonstrate the paradox of the present validity *of Indian culture for the understanding* of our own pre-Christian past and the increasing turgidity of Western appreciation of India's art.

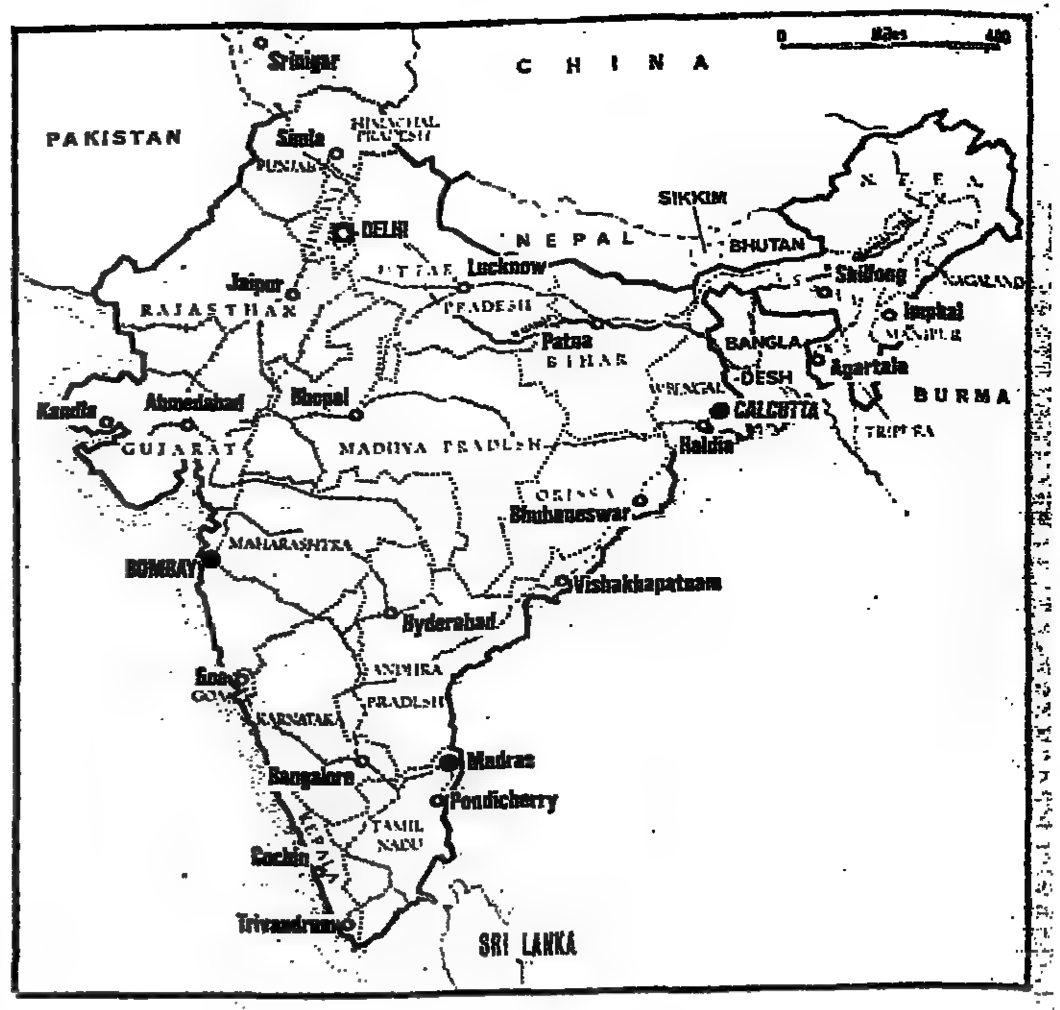
It will be fascinating to see whether the exhibitions will concentrate on the different religions current in India and the sacred icons devised for their rituals, or on an exploration of modes of aesthetic expression (spiritual, sensuous, erotic, demonic, courtly or everyday life) *or on the esoteric principles* (asceticism, duality, androgenous and animal imagery) the creative forces, the Mother-goddess (what a wonderful subject for an exhibition she would be!). We might hope at least for a medium-sized exhibition, in some gallery or other, of single aspects of Indian art touching on such diverse themes as the "Buddha image," or "foreign influences from *ancient Rome to present times,*" or "modern architecture in India from Le Corbusier to Louis Khaan" and so on.

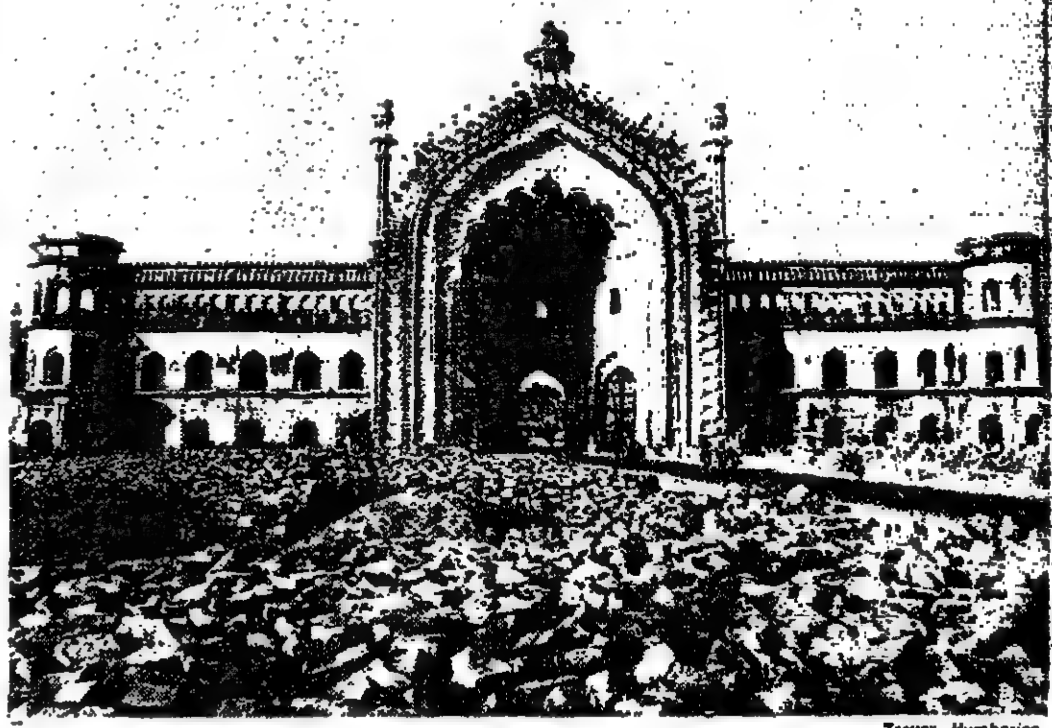
Certainly a place must be made for the extraordinary range of traditional Indian textiles, a major source of inspiration—and cash—for European artists and British industry in the past. It would be enough to bring out the contents, if not the setting, of the Calico *Museum of Textiles in Ahmadabad*—one of the most beautiful and pleasing museums in the world—to be assured of a seminal exhibition.

And what of the main themes? The "Erotic" (of which too much has been said in the West already), or the "Indian sense of the Terrible" (which has not been given adequate attention)? The possibilities at this stage of early planning seem endless. And will the London dealers jump on the bandwagon with yet another spate of increasingly more expensive Indian miniatures, or will they be more adventurous this time?

Whichever shape this Indian festival will take, the exhibitions will provide ample opportunity to display many of the forgotten Indian objects still in Britain which have been consigned to storage and oblivion with the loss of the old Indian Museum building. Meanwhile, a replacement for it has yet to be found, although by *incorporating other oriental collections* the about-to-be-vacated St. George's Hospital at Hyde Park Corner surely would be ideal in size and location. Maybe, at last, the gods and demons of India may be placated, and welcomed, in London.

Dalu Jones

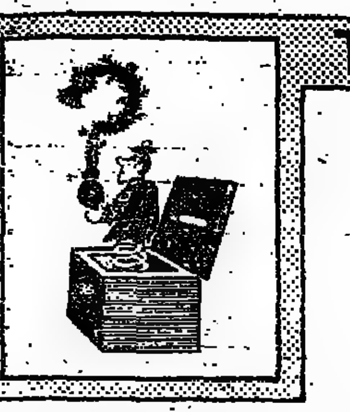




Trevor Humphries

Rumi Darwaza, the Constantinople Gate of Bara Imambara at Asifi, Lucknow.

THE DEVOLUTION REFERENDUM: SCOTLAND



A spider's web of issues

By RAY PERMAN, Scottish Correspondent

ROBERT BURNS, whose immortal memory is celebrated in countless toasts at this season in Scotland, was unequivocal about where he stood on the fate of the last Scottish Parliament. What he would think of the proposal to establish a new one is not so certain, although both sides in the campaign now building up for the referendum on March 1 have claimed the bard as a supporter of their own cause. Mr. Willie Ross, the former Secretary of State for Scotland, went as far as claiming in a Labour Party political broadcast that Burns would have been in favour of the Government's devolution plans but against the Scottish National Party's independence policy. Had the broadcast continued for another two minutes Mr. Ross might also have found a few lines to show Burns's backing for the 5 per cent pay guideline.

But if we cannot be sure what Burns would have thought, nor can we be sure about how Scotland will vote. The rule, inserted into the Scotland Act by opponents of devolution requiring at least 40 per cent of the electorate (rather than of those voting) to declare themselves in favour before a legislative Assembly can be set up in Edinburgh has made the contest an open one. It may be safe to predict that there will be a majority "Yes" vote. It is not safe to say whether it will be big enough to carry the Act into law.

So the "yes" and "no" campaigners are taking the battle very seriously indeed. Their lines were drawn up before Christmas, but so far it has been a phoney war. The groups and parties involved have been setting up local organisations, fund raising, ordering stickers, posters and leaflets, and finding out who is for them and who against. The campaign proper is about to begin—an intensive three weeks of public meetings, doorstepping and advertising.

The issue at stake is a complex one. The Scotland Act, never without its critics, even among its friends, was made more difficult for the lay mind to comprehend by the numerous changes wrought by its enemies as it picked its faltering way through the Commons. The result is a tangle with endless threads to be pulled out for public examination during the campaign. Those who imagined two years ago that a devolution referendum could be carried by a simple appeal to patriotism are now disillusioned. It has already emerged that there are a number of important strands to be followed and important points on which the electorate wants to be satisfied. The problem is to decide whether they can best be answered by voting for or against.

For example, the "no" campaigners argue that devolution, like soft drugs, leads to harder things. That once an assembly is set up, the road will be open to the separation of Scotland from the rest of the United Kingdom and that it will be steep and downhill. On the other hand, the Labour Party "yes" campaigners argue that the reverse is true; that devolution is the only way to put a stop to the slide to independence which, without it, would gather momentum.

Then there is the question of bureaucracy. The "no" side says that it is impossible to set up a new parliament without a vast increase in the number of civil servants and the cost of administration. The "yes" side maintains that the Scottish Office's 10,000 civil servants have grown so numerous and powerful because they have not had a parliament to oversee them properly.

And so it goes on. To each issue there are at least two sides. It is hardly surprising therefore, that as arguments are not clear cut, neither are the divisions between the groups that propose them. There are four main bodies urging a "yes," with a number of smaller campaigns, and two or possibly three fighting for a "no."

Leading the "yes" side, there is the Labour Movement Yes Campaign, an alliance of the Scottish Council of the Labour Party, the Scottish TUC and the Co-operative Party. Most of the funds will be provided by the Labour Party, which has been allocated £30,000 by Transport House in London for the job. Trade unions will be contributing, mostly at local level. The combined effort will cover the whole range of political armoury — leaflets, posters, political broadcasts, door-to-door canvasses—but the main force is undoubtedly going to be a series of big public rallies in the major cities featuring all the star names Labour can muster, beginning with the Prime Minister, Mr. Callaghan, in Glasgow next Monday, and including no fewer than seven cabinet ministers.

It is Labour's weakness that it has never been throughly convinced, even in Scotland, that devolution is a good thing.

Mr. Gordon Brown, who is co-ordinating the Labour effort, believes that there will be sufficient support within the party to provide a campaign of some form in each of the 71 Scottish constituencies. Others are not so sure. About a dozen constituency Labour parties may not set up "yes" campaign committees. At least half-a-dozen Labour MPs are urging people to vote "No."

The Scottish Nationalist Party, which is all but unanimous in its support for devolution, is also campaigning for a "Yes," but separately from Labour. Together, the two parties would make a formidable team, since the SNP has in local organisation what Labour lacks, while Labour can bring out the bigger names for the set-piece rallies. But Labour has spurned all co-operation. It wants to distance itself from the SNP's independence policy, and to accrue to itself the maximum political kudos for setting up a Scottish assembly.

ATTITUDES TO DEVOLUTION

	Mar. '77	Feb. '78	Mar. '78	Oct. '78	Jan. '79
YES	53	55	55	59	52
NO	31	28	26	29	29
DON'T KNOW	16	17	19	12	19

Source: System Three, Glasgow Herald

That division has given the "No" campaigners one of their strongest cards. While the SNP is not making too much of the fact that it believes devolution to be the first step to independence, there is an obvious contradiction between Labour presenting "Yes" as a vote against separation and the Nationalists presenting it as a vote for separation.

A similar schism paradoxically divides the "all-party" campaigners for a "Yes." Yes for Scotland, led nominally by Lord Kilbrandon, who headed the constitutional commission which suggested devolution, claims to have members from all parties and, indeed, does have an organiser and deputy organiser who are both Conservatives. But its leading lights are three Nationalists, Mrs. Margo MacDonald, vice-chairman of the SNP, Mr. George Reid MP, and Mr. Jim Sillars MP, who broke away from the Labour Party to form his own nationalist group of socialists.

This close identification with nationalism proved too much for Mr. Alick Buchanan-Smith, the Conservative MP for North Angus and Mearns, who resigned his post in Mrs. Thatcher's shadow Cabinet because he supports devolution. He has formed a second cross-party group, the Alliance for an Assembly, which also includes Mr. Donald Dewar, Labour MP for Garscadden, and Mr. Russell Johnston, Liberal MP for Inverness.

The "no" side is less fragmented. The main grouping, Scotland says No, has the support of most of the Conservative Party leadership in Scotland, the business community, and a number of prominent figures in Scottish life, such as churchmen, industrialists and former politicians. The very professional way in which Scotland Says No is conducting its campaign with, for example, a public relations consultant, its own commissioned opinion poll, eye-catching literature and an advertising campaign still to come which will include billboards and large advertisements in more than 80 Scottish newspapers, has led to the charge of "business money" being behind it and, more particularly from the SNP, of English gold financing the attempt to kill Scotland's chances of getting its own parliament again.

Scotland says No claims to have donations from a wide variety of people, small sums as well as large, but there seems little doubt that most of the £80,000 plus it will spend will come from industrialists if not exactly from corporate funds.

Scotland says No includes several past and present Labour politicians, but there is also a separate group of Labour anti-devolutionists campaigning under the banner Labour Vote No. Its principal speakers are Mr. Tam Dalyell, MP for West Lothian, and a tireless opponent of a Scottish Assembly, and Mr. Robin Cook, MP for Central Edinburgh. The Labour Party takes its internal splits very seriously and, even at this early stage, there have been intense meetings in trade union halls around the country to debate the issue and relate it to the established currents of socialist thought.

If there are such debates in the Conservative Party they are conducted in private. The Tories are much less split than Labour on devolution, but they are split none the less. A recent opinion poll showed that 39 per cent of Scottish Conservative voters are in favour of the Government's proposal, with 45 per cent against and the remainder undecided. Most of the party leaders are against devolution and, like Mr. Teddy Taylor, the shadow Scottish spokesman, are campaigning vigorously on the no side. Yet at a special conference the party took a decision not to mount a separate campaign, partly as a gesture to those fellow members who still cling to the devolution commitment made by Mr. Edward Heath, the former Tory Prime Minister, and partly for fear that the referendum will result in a heavy "yes" vote and that the Conservative Party will suffer badly from being too prominent on the losing side.

Mr. Taylor takes an opposite view and, secure in his belief that there will be a massive "No" on March 1, wants his party to be seen in the vanguard of the anti-devolution lobby.

That is the list of the opposing factions. It is long, but not exhaustive, and does not include, for example, the Liberals, who launched their campaign on Friday; the Communists; and several student groups. In the next few weeks all will be stuffing their leaflets through every door in Scotland.

The campaign has not been without its lighter moments. The Glasgow Herald ran to earth a self-confessed SNP fifth-columnist who, to the horror of his party headquarters, had insinuated himself into the "No" campaign in order to sabotage it. "I delight in attending Tory dances for the same reason," he said. Robert Burns will be turning in his grave.

But pith and power, till my last hour,
I'll mak this declaration,
We're bought and sold for English gold,
What a parcel of rogues in a nation

Robert Burns

Letters to the Editor

The future of detente

From Mr. I. Baranikas

Sir, — You announced (January 15) that Britain hopes to conclude a £15bn trade deal with China, which will include the supply of electricity-generating plant, mining equipment, ships, Harrier jump-jet fighters and aircraft components, and a metallurgical plant.

In principle, it is natural that trade between Britain and China should expand. For the British economy such major deals mean new markets, whereas for the Chinese economy, in its present condition, modern equipment and technology are essential.

But in this case there are non-economic aspects to be considered. I believe that both parties to this agreement are pursuing definite political aims. With regard to China, its modernisation is, regrettably, required not only and not so much for peaceful endeavours as for preparations of war.

One cannot help gaining the impression that the object of London's "Chinese policy" is to increase the tension of Soviet-Chinese relations.

History provides examples showing that such calculations are fraught with dangerous consequences. The natural reaction of the Soviet Union and her allies to such steps can only be a diminished trust in Western countries who pay lip service to furthering detente and arms reductions but, in reality, create further tension in the world.

In his message to Prime Minister Callaghan, Leonid Brezhnev pointed out that to encourage the militarisation of China means complicating the settlement of international issues, undermining the mutual trust that has been built through detente, and opening a new phase of the arms race.

Are those who gamble on the Chinese card thinking about the responsibility they assume for the future of detente?

Ilya Baranikas.
Novosti Press Agency,
2, Pushkin Square, Moscow.

Promoting health

From the Director, Unit for the Study of Health Policy, Department of Community Medicine, Guy's Hospital Medical School

Sir,—Those of us with an interest in matters of health, and particularly those with an interest in effective prevention of illness, will be encouraged by Dr. Keith MacMillan's study of corporate social responsibility in the U.S. (January 17).

Dr. MacMillan's main finding, that social affairs are taken more seriously in the U.S. than in the UK, should act as a powerful stimulus to those who, (with some justification), judge that in some ways Britain is pursuing industrial and economic policies that are in some respects accurately described as "health-damaging" rather than "health-promoting and wealth creating." The continued high expenditure on tobacco promotion (last figures made public, £70m.-80m per annum) and a government grant of £10m to build a tobacco factory in Northern Ireland, are perhaps only the more obvious kinds of recent examples. The continued promotion of sugar, white flour and other refined carbohydrate products at the expense of promoting foodstuffs containing a normal amount of cereal fibre, constitutes another serious problem.

While recognising the "hard economic realities" of international competitiveness and so on, the time does seem long overdue for a tough and thoughtful look at corporate and union responsibility. It is sometimes, literally, a matter of life and death!

(Dr.) Peter Draper.
USHP, 8 Newcomen Street, SE1.

Paroxysm of inflation

From Professor Dudley Johnson

Sir,—I believe that only the Government and its agents cause inflation. But, first I want to reflect about matters that are so familiar that they no longer seem, as they should, astonishing and disquieting.

As recently pointed out by the American writer Mr. Vermont Royster, there arrives a time in the history of a nation when one issue is so vital to its future that it overrides all other political considerations. Such periods test the vision of its leader and the resolution of its people. Today, in my judgment, it is inflation. If not eliminated and instead allowed to accelerate, it will be as destructive to society's economic and social structure as an invading army. All of this may be familiar, but what it not is that for the present time inflation is the issue that is so vital that it swamps all other political questions. The question really is whether the leaders in the free world see the nature of the challenge, and will the people have the resolution to meet it?

It should never be forgotten that almost always, whenever a Government has perished, it has done so in the paroxysm of inflation. As Mr. Theodore H. White, the American political writer, states from the Sung dynasty in China (960-1126), which issued paper currency that passed as money, to the French Revolution, from the Confederacy of the U.S. to the Weimar Republic, inflation has accompanied the death rattle. Now, to some technical matters.

Compared with the dark ages of monetarism in the decade or so following World War II, when no one except a few die-hards attached any importance to the money supply and when fiscal policy dominated discussion of macroeconomic policy, monetarism has arrived. Some would say, myself included, that it is relatively triumphant. What is left currently is to determine the final score, for example, what role to assign to dethroned fiscal policy?

I treat the nominal stock of money and its rate of growth as variables whose magnitudes are fixed outside the system —the money supply is primarily determined by central bank actions: money supply growth is the independent casual factor governing the rate of inflation.

No monetarist wishes to have his salvation depend on the literally complete independence of any variable in a complex independent economy — no central bank has a dial which can produce instantaneously a desired change in the money supply, especially in a fractional reserve system. But there exists a vast amount of both empirical and theoretical literature on the determination of the money supply, which shows incontestably that central banks can control, if desired, movements in the money supply over a short enough period so that monetary growth is the factor governing the rate of inflation. Furthermore, there exists a statistical technique (Sims test) to test the hypothesis of reverse casualty running from income to money. The tests reject this —that is, the notion of passive income — determined growth and accept the monetarist view of the channel of influence running from money to spending to GNP to prices.

It is important, however, to note that this does not preclude that income may influence money indirectly through the policymakers' reactions to changes in the economy. This has been called the "political economy" of monetary growth. For example: many sophisticated cost-push theorists know that if aggregate monetary demand is not increased to sustain cost induced increases in prices, a wage rate growth in excess of productivity improvements create unemployment and not rising prices. Therefore, they have argued that the behaviour of the authorities is not independent of market processes— that is, the Government's commitment to maintain high employment creates a quasi automatic link between wages and prices. Thus, unions, by currently anticipating the response of economic policy makers, can set a wage rate which can uniquely determine the inflation rate. But, please note, even under these conditions accommodating expansionary growth in the money supply would be a necessary condition for inflation to continue. Whether this is currently the case in countries experiencing inflation and having strong trade unions is an empirical question. It has, however, not happened yet in the U.S.

Does an anti-inflation policy do mostly harm to "the patient" with little effect on the "disease?" The question really is how must unemployment and foregone output will it cost not to eliminate inflation? Given the way economic agents adjust themselves to various inflation rates, society is going to have higher unemployment either way. I am not oblivious to the socio-economic hardships associated with ending inflation. Ending inflation is a difficult problem for a country like Britain with approximately 60 per cent of GNP being spent by government. But a country with continuous high rates of inflation has only a choice between when it wants the unemployment to come: during the time the disease (inflation) gets worse, or when it is getting better?

Professor Dudley W. Johnson
(Professor of Business Economics, University of Washington and Sir John Cass Senior Research Fellow, 1978-79)
City of London Polytechnic,
84, Moorgate, EC2.

Running the buses

From Mr. J. Redwood

Sir,—Your article on the subject of bus transport (February 1, page 30) and the fortunes of the National Bus Company does not live up to your usual high standards of critical journalism.

It is pointless looking at the reported net surplus of the bus company without looking at the growth in subsidies and capital grants which have accompanied the general trends towards alleged profitability. It is also difficult to comment as readily on productivity and efficiency when pricing policy is in the hands of a quasi-monopoly operation which without certain political constraints gives that operator considerable scope to cover any cost base.

More serious, however, is the assumption of the article that bus services should be provided at least to maintain existing networks even when people do not wish to travel on them. It has been one of the most misleading features of transport policy in the last five years in this country that transport planners have assumed a fossil network reflecting previous patterns of profitable business operation. The argument for maintaining a larger subsidised network has been based on the premise that the social need for transport could best be met by such subsidies.

The figures produced in your own article, however, are rather surprising for they seem to imply that the group who are most likely to require bus travel do not apparently account for a large share. You quote a figure of 20 per cent of total bus company business being the wives of manual workers, young people aged 16 to 21 and retired people, yet these groups represent more than 20 per cent of the total population. In view of this under representation and the implied corollary that the other 80 per cent are people quite able to pay fares at an economic level there is an overwhelming argument for concessionary fare schemes as a more efficient way of dealing with the social need than general subsidies to support ageing route networks.

Your article stated that Oxfordshire and Northamptonshire were the worst culprits, being unwilling to increase their spending on buses in line with Government policy. As one of the architects of the Oxfordshire transport policy in the early 1970's I can confidently state that the reason for the policy was to attempt to improve the efficiency of public transport operations and to encourage a service which was more in line with needs as expressed in the market place than the fossil network which some planners and bus company operators seem to prefer. There is of course no presumption in this country that county councils have to follow Government policy as they are themselves controlled by duly elected representatives and transport is an area where county councils were given more discretion under the reorganisation of local government. It was therefore particularly peevish of the Government to cut money available for road budgets when some councils opted for less rather than more bus support with a view to forcing improvements in efficiency in preference to entering open-ended subsidy commitments.

In conclusion the question is not one for the Government on its own, nor is it one of how much we should value preservation of the existing network. The question is simply one of business practice of how we should pay for a service network which meets the requirements of people for personal mobility.

J. A. Redwood,
All Souls College,
Oxford.

Today's Events

GENERAL

UK: Mr. Gordon Richardson, Governor of the Bank of England, Mr. Jacques de Larosiere, managing director of the International Monetary Fund, and Sir Kenneth Cork, Lord Mayor of London, speak at the Overseas Bankers' Club banquet, Guildhall.

TUC Economic Committee meets Ministers to discuss pay levels, Congress House.

House Builders' Federation statement on house building prospects.

Sir Monty Finniston, chairman of inquiry into the engineering profession, Sir Terence Beckett, chairman and managing director Ford Motor Company, and Mr. Kenneth Corfield, deputy chairman and managing director Standard Telephones and Cables, are among speakers at "Engineer and Society" two-day seminar, Odeon Cinema, Marble Arch, W1.

Dr. David Owen, Foreign Secretary, speaks at Nottingham area National Union of Mineworkers conference, Sutton-in-Ashfield.

Overseas: EEC Agricultural Ministers meet in Brussels to discuss farm financing.

Mr. Pierre Trudeau, Prime Minister of Canada, and ten provincial premiers meet in Ottawa to review the constitution.

Mediterranean countries' delegates meet in Cannes to discuss pollution.

Mr. Deng Xiaoping, Chinese vice-premier, leaves Seattle for three-day unofficial visit to Japan.

OFFICIAL STATISTICS

Final figures for December retail sales. Provisional January wholesale price index numbers. December hire purchase and other instalment credit business. Building society house prices and mortgage advances (fourth quarter).

PARLIAMENTARY BUSINESS

House of Commons: Vaccine Damage Payments Bill, second reading.

House of Lords: Ancient Monuments and Archaeological Areas Bill, second reading. Price Commission Amendment Bill, second reading. Arbitration Bill, report.

Select Committee: Expenditure, education, arts and home office sub-committee. Subject: Women and the penal system. Witness: Prof. T. C. N. Gibbons. Room 13, 4.15 pm.

COMPANY RESULTS

Final dividends: Claverhouse Investment Trust. Interim dividends: Stirling Knitting Group; Vibroplant Holdings.

COMPANY MEETINGS

See Financial Diary on page 40.

UK COMPANY NEWS

BIDS AND DEALS

Revaluation gives EPC shares 68p backing

BY MICHAEL CASSELL

NET ASSETS of English Property Corporation amount to £71m—equal to 68p per share fully diluted—according to the directors of the company, who this weekend published draft accounts in response to a 37p a share bid from Dutch property group Wereldhave.

Late on Friday, Wereldhave made a revised £50.2m cash offer worth 46p per ordinary share and said that it had been conditionally accepted by Eagle Star, which has a 27.2 per cent stake in EPC and had earlier made its own 44p a share bid for the outstanding equity.

In a letter accompanying the EPC draft accounts, Mr. Stanley Honeyman, chief executive, confirms the company's Friday night rejection of the latest Wereldhave offer which is "still inadequate."

The accounts, for the year ended October, 1978, show net assets of £71m against £67m in the previous year, although the directors point out that the 1977 asset figure has been adjusted downwards from £99.8m to reflect a shortfall in value of its Brussels development properties at that time.

A world-wide independent valuation on an open market value basis of all the group's completed investment properties —with the exception of UK properties sold since October 31, 1978 (about £3m) or now being sold (about £2m) — was, as a result of the Dutch bid, extended to include all development properties in the UK and Belgium.

A valuation has been obtained on about 33 per cent, by value, of all the North American development properties, with the remainder subject to directors' valuations.

EPC says that the aggregate open market value of its development properties now amounts to £7m in excess of the value at which they are incorporated in the statement of net assets, equivalent to 7p per share.

Profit before tax is shown at £9.3m, the same as in the previous 12 months but the directors point out that the amount capitalised shows a further reduction to £13.3m from £20.1m a year earlier. In 1976, the amount capitalised was £26m.

The directors says that, on the basis of the draft accounts, they propose to recommend a final dividend of 1.05p per share, which together with the interim paid in January will amount to 2.3p, the same as for last year.

In a footnote to the shareholders' document — prepared before the latest Wereldhave offer and Eagle Star's acceptance —the directors say the Eagle Star bid proposals (now lapsed) and the underlying net asset value now available clearly supported EPC's opinion that Wereldhave was attempting to acquire the company at well below its true worth.

Mr. Honeyman said the document was not intended as a detailed counter-argument to the original Dutch bid, which had not been worthy of such treatment. The Board's position had not changed as a result of the latest offer.

Mr. Honeyman said shareholders will receive another letter after receipts of the Wereldhave offer document, expected sometime this week. EPC shares are due to be requoted today after Friday's suspension at 44p.

See Lex

Another Reed sale—lumber businesses going for £8.4m

In furtherance of its policy to dispose of its Canadian interests, **Reed International** announces that Reed Paper has agreed in principle the sale of certain of its lumber businesses to **ALPA Lumber Inc.** The consideration is C$20m (some £8.4m) to be settled by $10m cash and a $10m 8½ per cent debenture payable over five years.

A few days ago Reed announced the sale of its linerboard, corrugated container and paper waste recycling businesses in Montreal, Toronto and Mississauga and Buffalo to Domtar for some $27m (£11.3m), and said it was in negotiation for further disposals.

The latest sale will include the Reed Paper assets and businesses related to manufacturing, processing, and distribution of lumber products and building materials, but exclude its saw mill in North Western Ontario. The sale was approved by the Board following consideration of an independent valuation of the business and assets involved in the transaction.

Proceeds from the sale, together with the elimination of Reed Lumber's bank borrowings of nearly $17m, will improve both Reed Paper's cash and debt positions.

The principals of ALPA are present and former employees of Reed Lumber, a subsidiary of Reed Paper, and include Mr. D. A. MacIver, president and chief executive of Reed Paper. Mr. MacIver has indicated that he will continue his present executive responsibilities with Reed Paper and that he will not be taking an active role in ALPA.

ASSOCIATE DEAL

W. I. Carr has purchased on behalf of Gresham Trust, advisers to Crown House, 5,000 Best and May shares at 83p.

SHARE STAKES

Associated Biscuit Manufacturers — Rowntree Mackintosh has acquired a further 670,750 ordinary shares raising holding to 19.5 per cent.

Elswick-Hopper — G. Calvert, director, has sold 135,000 shares to meet personal financial commitments.

David Dixon and Son Holdings —Birmingham and Midland Counties Trust now holds 500,000 ordinary shares (27.52 per cent).

LASMO's share in Ninian currently at 7.78%

London and Scottish Marine Oil Company has written to shareholders detailing what the extra cost of developing the Ninian oilfield, the third largest in the North Sea, will mean for the group's balance sheet.

The move follows last month's announcement that British Petroleum, Ranger Oil, and LASMO had agreed to pay an extra £64m towards the development of the Ninian oilfield in the North Sea.

The extra payment is part of a new agreement which modifies the shares of companies participating in the development of Ninian.

LASMO explains that the Ninian Unit Agreement was concluded on January 25, 1979. It governs the control and management of the Ninian Field, sets out the manner in which the field's costs and production will now be shared among the participants and lays down the formula for future redeterminations of the participant's equity interests.

"In 1975 it had been provisionally agreed, on the basis of initial exploration and appraisal drilling, that 70 per cent of the Ninian Field was attributable to block 3/3 and 30 per cent to block 3/8 (in which the company has a 30 per cent interest)."

"We thus had an overall share of 9 per cent," says LASMOs chairman Mr. G. W. Searle.

But because of the redetermination of the participants' equity interests, 74.04 per cent of the oil in place is attributable to block 3/3 and 25.96 per cent to block 3/8. "Accordingly the company's interest in the Ninian field is currently 7.788 per cent and this percentage indicates the company's present entitlement to oil production," adds Mr. Sarle.

Up to December 31, 1978 LASMO had paid 9 per cent of all capital costs. Under the Ninian Unit Agreement LASMO is to provide an additional £19.2m to complete its share of the £434.5m production costs less a repayment of £12.7m on all other capital expenditure, a net additional payment of £6.5m.

LASMO is to receive about £8m for the sale of a 15 per cent interest in the main pipeline to the Sullom Voe terminal, and a corresponding share in the terminal for the development of the Magnus Field, to BP. So far £2m has been received.

LASMO concluded negotiations last November with Midland Bank and a new syndicate led by Williams and Glyn's Bank for the provision of additional loan facilities of £30m and £9m respectively for the further financing of its share of the Ninian field, then still at the provisionally agreed 9 per cent.

As a result of the new agreement the financial arrangements of the group have been changed.

Including a £5m overdraft facility LASMO has bank facilities totalling £61.3m. These include the loan arranged in 1977 with a syndicate headed by Williams and Glyn's, "the final repayment date for which has been extended to December, 1981 and which has now been reduced to £24.5m; and the new facilities of £24.5m from Midland Bank and £7.3m from the new syndicate."

The loans drawn under these new facilities carry a rate of interest of 2 per cent per annum over the London inter-bank offered rate, and are repayable by June, 1982.

In addition LASMO has an agreement with BP, whereby BP has agreed (for a fee) to provide a guarantee on additional funds lent by third parties to LASMO. The guarantee can be taken up any time up to December, 1981 and is subject to a maximum total of £19.2m.

LASMO has decided not to arrange bank facilities under this guarantee as it is not certain that they will in fact be required.

Meanwhile, the dividend payments will be restricted until borrowings and undrawn facilities have been reduced to a level which, on current cash flow projections, "should be reached during 1981."

LASMO has also undertaken to limit expenditure on exploration which, "broadly is not to exceed £3m per annum."

On the trading front the group reports that oil is flowing into the Sullom Voe Terminal at over 50,000 barrels per day, a level considerably higher "than that used" in LASMOs current cash flow projections.

Drilling of the third and fourth wells from the Southern platform is proceeding, with one well expected to be completed early this month and the other in early March.

"By the end of January oil production from the field had exceeded 1.5m barrels, and we expect to load crude oil at Sullom Voe against our first sale in February," says the group.

The cash generated from the sale of oil will "consistently provide a surplus over expenditure from the final quarter of this year onwards" LASMO forecasts. In which case the group will be able to repay bank borrowings "ahead of the scheduled dates."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Clifford and Snell, Spring Knitting, Vibroplant.

Finals:—Claverhouse Investment Trust, UC Investments.

FUTURE DATES

Finals:—

AC Cars	Feb. 12
Carrington Viyella	Feb. 21
First Scottish American Trust	Feb. 27
Glass and Metal	Feb. 14
Renown Incorporated	Feb. 15
Securicor	Feb. 14
Security Services	Feb. 14
Turner and Newall	Mar. 6
U.S. Debenture Corporation	Feb. 21

Sir John Pile, chairman of Imperial Group. Results for the year ended October 31, 1978, are due to be announced on Thursday.

Considerable potential in U.S. for Eurotherm

Mr. J. A. Hartnett, chairman of **Eurotherm International** tells members that substantial progress was made by the U.S. subsidiary in 1977-78 and he believes the potential for further progress in this market to be very considerable.

During the year Eurotherm Ltd. consolidated its position in electronic industrial temperature control equipment in the UK market where it has over 2,000 customers with none taking more than 3 per cent of turnover.

The chairman reports that the Chessell subsidiary continues to expand rapidly its strong position in the UK market for industrial potentiometric chart recorders and is currently taking steps to improve its position in major industrial countries overseas, where the potential is greater than in the UK.

In particular strenuous efforts are being made in the U.S. where the market for the company's products remains largely untapped. To provide for its expansion in the UK Chessell will, while retaining its existing premises, take over certain premises occupied by Eurotherm.

The chairman points out that Eurotherm and Chessell continue to make major contributions to profits and have achieved greater penetration of export markets. It is anticipated that newer subsidiaries will make large proportional increases in earnings as they enter wider markets.

Turnbull made a loss during the year which was not unexpected. The chairman is confident that it will start contributing to group profits in the current year.

Taking the group overall the current year has started well with orders on hand at December 31, 1978 well ahead of the same period of the previous year, and the result for the current year should again be a good one.

In the year ended October 31, 1978 profit rose from £1.89m to £2.65m and compared with a May 1978 prospectus forecast of £2.5m.

Meeting, Worthing, February 27 at noon.

F.T. Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Arlen Electrical (Section Electricals).

Gosforth Industrial (Section: Industrials):

Gresham House Estate (Section: Investment Trusts).

Triefus and Co. (Section: Industrials).

Westmex (Section: Mines—Australia).

Irish Distillers chief cautious on prospects

MR. F. J. O'REILLY, the chairman of **Irish Distillers Group** thinks it realistic to be cautious about forecasting the short term future because there are many factors whose importance cannot yet be assessed.

He hopes, however, to be in a better position to make a statement about prospects for the current year at the AGM.

As reported on December 6 pre-tax profits for the September 30, 1978, year advanced from £4.87m to £7.28m on turnover of £69.8m against £58.5m. The dividend is increased to 5.1025p (3.5475p) net per share and a one-for-one scrip issue is proposed.

Although satisfied with the results, the chairman tells members in his annual statement that he feels they give no grounds for complacency: "there were never, I think, so many imponderables in the assessment of the future."

He says the implications of Ireland's entry into the European Monetary System are not known, neither are the measures which might be introduced in the country's next budget; nor the effect these might have on the group's trading in the immediate future.

Investment for the future expansion of the business was continued during the year by a total of £8.8m, some £7m of which came from group resources and the balance from increased borrowings. Mr. O'Reilly says the major investment relates, of course, to an increase in the stocks of whiskey.

The chairman says the marketing division both in Ireland and abroad were reorganised during the year and the group's sales forces enlarged.

Bank borrowings and cash increased at year end by £1.76m (£1.36m).

Meeting, Dublin, February 22 at noon.

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INTNL. COMPANIES and FINANCE

Administration ruling cramps Chrysler's borrowing style

BY JOHN WYLES IN NEW YORK

THE CARTER administration is believed to be considering various forms of aid for the financially troubled Chrysler Corporation but the struggling auto company looks unlikely to be able to draw the $250m of Federal loan guarantees which it sought late last year.

According to a New York Times report at the weekend, the Administration has decided to limit federal loan guarantee assistance to any one company to $50m. This was on the recommendation of a top level study group set up in the middle of last year after American Motors Corporation informally sounded out the government on the prospects for $109m of guarantees.

Official confirmation of the report was unobtainable yesterday but it does appear that Chrysler will apply for the $50m guarantee limit while at the same time pressing its case for additional aid.

The company is belived to have outlined its financial problems at a meeting in early December involving Chrysler executives, Felix Rohatyn, a leading investment banker with Lazard Freres, and Mr. Stuart Eizenstadt, the President's Assistant for Domestic Affairs.

Chrysler's original application for loan guarantees was connected with its plans to construct a new manufacturing plant in Indiana. Cancellation of this project earlier this month did not, however, materially chance its need for asistance in raising money for a $7.5bn, five-year capital development programme.

Of this, some $3bn has to be found from continuing operations where the outlook is decidedly sticky. Chrysler lost about $230m in 1978 and analysts' estimates of its losses in the coming year range from $153m to $300m.

The company has taken strenuous steps to fortify its balance sheet in the last few months, ranging from the sale of its European operations and its European financing subsidiary to Peugeot-Citroen for $310m to the private placement of $231.5m of debt with two insurance companies.

G & W views Uniroyal purchase

By Our New York Correspondent

UNIROYAL INC., the third largest U.S. tyre manufacturer with 64 plants worldwide, has been placed on the listof candidates for possible acquisition by the giant conglomerate, Gulf and Western Industries.

Initially, there was some surprise on Wall Street that Uniroyal should have attractions for G and W disclosed on Fiday that it had purchased a 6.1 per cent interest in the company. But Uniroyal falls neatly into the category of "walking wounded", companies from which G and W has made some of its most successful acquisitions.

The subsequent recovery of many of these businesses is stressed with pride in the company's recent annual report celebrating its growth over 20 years from a supplier to the automotive industry with sales of $8.4m to a vast diversified business with sales in 1978 of $4.3bn. The list of companies restored to health range from New Jersey Zinc, acquired in 1966 through Paramount Pictures, also bought in 1966 to Kayser Roth acquired in 1976.

Recent "investments" made by G and W include 13.47 per cent in Sherwin-Williams, the leading U.S. paint company which may be a prelude "some type of amalgamation" and 6.1 per cent of Hollywood Park Inc, a California race track company.

G and W started buying Uniroyal stock at the beginning of December, and a spokesman for the tyre company said on Friday that although it had realised that its shares were in demand it had not known that G and W was the purchaser until the conglomerate had made the requisite filings with the Securities and Exchange Commission.

Uniroyal has been struggling to make ends meet in the past four years. Its U.S. tyre business has been only marginally profitable because of sharp domestic price competition and its leisure shoe business, built around the Keds brand name, has been a heavy loser.

Caterpillar expands in Belgium

By Giles Merritt in Brussels

A MAJOR extension of its investment programme has been launched by Caterpillar at its largest European manufacturing plant. During the five years to 1983 Caterpillar, the U.S. maker of earth-moving equipment, is to spend BFr 3.75bn ($125m) on modernising and extending its plant at Gosselies, near Charleroi.

Caterpillar Gosselies began operations in 1965. During the past 13 years investment totalled around BFr 10bn.

The Belgian plant is the largest Caterpillar operation outside the U.S. It currently provides 4,700 jobs, of which 350 were created during the past six months. Caterpillar's European activities include two plants in France and three in the UK.

Caterpillar Gosselies currently exports 97 per cent of its production, chiefly to Europe, Africa and the Middle East, but the Belgian company does not disclose details of either its output or financial performance, which are consolidated on a group basis.

Triomf chairman sees 1979 as record year

BY JIM JONES IN JOHANNESBURG

"IT CAN be confidently predicted that 1979 will be the best year ever in the company's history" says Mr. Louis Luyt, executive chairman of South Africa's controversial fertiliser company Triomf.

Back in 1975, Triomf built a R100m phosphoric acid plant at Richards Bay when phosphoric acid was commanding around $400 per tonne on world markets. Triomf had an "assured" 20-year contract for export of its phosphoric acid with the French company, Gazocean, at a price of $250 per tonne worth a total of R1.35bn.

When phosphoric acid prices dropped well below $200, Triomf and Gazocean entered into bitter litigation over the validity of their contract.

Loss of its Gazocean market, together with high phosphate rock prices from the South African state-owned producer Foskor, coupled with a heavy interest burden on its Richard Bay plant led Triomf to a R12.4m trading loss in 1977. According to industry sources, phosphoric acid prices have now risen to almost $300 per tonne and are still increasing.

It has meant a complete turnround in Triomf's fortunes. For the year to end-December 1978 on turnover of R256.5m (1977: R200.1m), Triomf's 51 per cent-owned operating company (AECI owns the remaining 49 per cent) has reported a consolidated trading profit of R8.5m (1977: R12.4m loss) for attributable earnings of 10.34 cents per share. Triomf shares at 265 cents in Johannesburg are on an earnings yield of 3.9 per cent.

KLK payout

By Our Financial Staff

KUALA LUMPUR KEPONG, the fourth-largest Malaysian plantations group, has declared a final dividend of 12.5 per cent gross (7.5 per cent) for the year ended September 30. Last December KLK reported 1977-78 profits of 45.7m ringitts (US$20.8m) before tax, up 10 per cent on the 41.6m ringitts for the previous year.

KLK did not suffer as severely as other plantation companies from the effects of the drought early in 1978.

CURRENCIES, MONEY and GOLD

Oil on troubled water

BY COLIN MILLHAM

Japan's inflation rate—running at around 3½ per cent at present is giving rise to some concern in Tokyo. Oil companies have recently raised prices by an average 15 per cent, following the OPEC price rise and the troubles in Iran. The Prime Minister has instigated moves to control inflationary pressure, while the growth in money supply, although still high, eased slightly in December. Similarly high money supply growth in Germany and Switzerland, due mainly to the strength of their currencies, has also given rise to inflationary fears recently. This is particularly true of Germany, where excess bank liquidity has led the Bundesbank to introduce tightening measures, which took effect last Thursday. Call money in Frankfurt was back up to 3.75 per cent by the end of the week, after falling steadily, touching 0.25-0.50 per cent on Wednesday.

Germany's inflation rate of about 2.8 per cent, remains well below the OECD average, but above the 0.7 per cent level of Switzerland, where the strength of the Swiss franc has caused most concern.

Their problems showed signs of easing last week, however, as the dollar made a spirited recovery in the foreign exchange market, leading to the most unusual step of the Bank of Japan and German Bundesbank supporting the yen and D-mark against the dollar.

Statistics issued in Washington were generally encouraging, with the December trade deficit no worse than expected. At the same time falling interest rates in New York were seen as reassuring, although the cut in prime rates, started by Chase Manhattan on Tuesday may prove short-lived.

The latest money supply figures, published Thursday, showed another fall, while statements by U.S. officials were also seen as helpful. Mr. James Schlesinger, the Energy Secretary, even managed to turn the unrest in Iran into a virtue, when he spoke of possible mandatory oil conservation measures, if the oil supply position does not improve.

A cut in U.S. oil consumption is something the foreign exchange market has been looking for since long before the Iranian situation came to a head.

GOLD

	February 2	February 1
Gold Bullion (fine ounce)		
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fixing	[illegible]	[illegible]
Afternoon fixing	[illegible]	[illegible]
Gold Coins, domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	(£33-34)	(£33-34)
Old Sovereigns	$68½-70½ (£34½-35½)	$68¼-70¼ (£34½-35½)
Gold Coins, internationally		
Krugerrand	$237-239 (£119½-120½)	$236-238 (£119½-120½)
New Sovereigns	$60½-62½ (£30½-31½)	$60¼-62¼ (£30½-31½)
Old Sovereigns	$68½-70½ (£34½-35½)	$68¼-70¼ (£34½-35½)
$20 Eagles	$303-305	$304-307
$10 Eagles	$165-170	$165-170
$5 Eagles	$113-116	$112-117

CURRENCY RATES

February 2	Special Drawing Rights	European Unit of Account
Sterling	0.645374	0.673384
U.S. dollar	1.27784	1.33276
Canadian dollar	1.53162	1.59797
Austrian schilling	17.6408	18.4038
Belgian franc	37.8672	39.5497
Danish krone	6.65180	6.94569
Deutsche Mark	2.40835	2.51526
Guilder	2.59913	2.71484
French franc	5.52802	5.77353
Lira	1082.97	1130.35
Yen	257.996	269.467
Norwegian krone	6.59813	6.89001
Peseta	89.5178	93.3547
Swedish krona	—	5.88976
Swiss franc	2.19447	2.28090

THE DOLLAR SPOT AND FORWARD

Feb. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	1.9775-1.9810	1.9795-1.9805	0.57-0.47c pm	3.15	1.68-1.58c pm	3.29
Ireland	1.9775-1.9810	1.9795-1.9805	0.57-0.47c pm	3.15	1.68-1.58c pm	3.29
Canada†	83.26-83.37	83.26-83.29	0.05-0.03c dis	−0.58	0.12-0.09c dis	−0.50
Nethlnd.	2.0315-2.0395	2.0370-2.0390	0.48-0.43c pm	2.68	1.68-1.63c pm	3.25
Belgium	29.32-29.78	29.32-29.35	5-4c pm	1.84	17-16.5c pm	[illegible]
Denmark	5.2940-5.2270	5.2245-5.2270	0.35-0.85c dis	−1.38	2.80-3.30c dis	−2.33
W. Ger.	1.8845-1.8890	1.8850-1.8860	1.00-0.90pf pm	6.05	3.05-2.95pf pm	[illegible]
Portugal	47.60-47.80	47.65-47.75	27-37c dis	−8.05	50-115c dis	[illegible]
Spain	70.10-70.17	70.10-70.15	22-32c dis	−4.62	83-93c dis	−5.02
Italy	847.60-848.20	847.70-848.20	1.50-2.50lire dis	−2.83	4-5lire dis	−2.12
Norway	5.1625-5.1670	5.1650-5.1670	1.10-0.60ore pm	1.97	2.95-2.45ore pm	2.09
France	4.3230-4.3350	4.3250-4.3300	0.95-0.80c pm	2.43	2.70-2.50c pm	2.40
Sweden	4.4095-4.4220	4.4210-4.4220	0.75-0.55ore pm	1.76	2.55-2.35ore pm	2.22
Japan	201.35-202.30	201.35-201.55	1.50-1.40y pm	8.64	4.05-3.90y pm	7.89
Austria	13.79½-13.84½	13.83½-13.84½	6.50-5.75gro pm	5.31	19-17gro pm	[illegible]
Switz.	1.7072-1.7145	1.7130-1.7145	1.40-1.30c pm	9.45	4.45-4.35c pm	10.27

† U.S. cents per Canadian $.

THE POUND SPOT / FORWARD AGAINST £

Feb. 2	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	1.9775-1.9810	1.9795-1.9805	0.57-0.47c pm	3.21	1.68-1.58c pm	3.29
Canadian $	11¼	2.3700-2.3770	2.3725-2.3755	0.45-0.35c pm	2.02	1.88-1.78c pm	2.95
Guilder	6½	4.01½-4.04½	4.02¾-4.03¼	2⅛-1⅛ c pm	5.44	7-6 c pm	6.45
Belgian F	6	58.55-59.95	58.60-58.70	25-15 c pm	4.09	80-70 c pm	5.12
Danish K	8	10.30-10.35	10.31½-10.32½	1¼ore pm-½ore dis	1.16	5-3ore pm	0.78
D mark	3	3.72-3.74½	3.73-3.74	3¼-2¼ pf pm	8.84	9¾-8¾ pf pm	9.77
Port. Esc.	18	94.00-94.75	94.20-94.70	45-115 c dis	−10.16	180-280 c dis	−6.78
Span. Pes.	8	138.70-138.95	138.75-138.85	par-50 c dis	−2.15	80-150 c dis	−3.17
Lira	10½	1,674¼-1,678¼	1,675-1,676	1lire pm-1lire dis	−0.72	4-2 lire pm	0.72
Nrwgn. K.	7	10.20½-10.24	10.22-10.23	4½-2½ ore pm	4.11	15¼-13¼ ore pm	5.57
French Fr.	9½	8.54½-8.58	8.55-8.56	4⅛-3⅛ c pm	5.61	12¼-11¼ c pm	5.61
Swedish Kr	6½	8.72-8.76	8.73½-8.74½	2½-½ ore pm	2.06	12½-10½ ore pm	5.15
Yen	3½	398-406	398-400	4.15-3.85y pm	12.03	11.40-11.00 y pm	11.23
Austria Sch	3¾	27.25-27.40	27.30-27.35	20-10 gro pm	6.59	58-48 gro pm	7.76
Swiss Fr.	1	3.37-3.42	3.38-3.39	5⅞-2⅞ c pm	11.95	12-11 c pm	13.59

Belgium rate is for convertible francs. Financial franc 59.60-59.70.

Six-month forward dollar 3.02-2.92c pm, 12-month 5.20-5.10c pm.

OTHER MARKETS

Feb. 2	£	$		£ Note Rates
Argentina Peso	2,083-2,103	1052-1062	Austria	27-28
Australia Dollar	1.7495-1.7565	0.8843-0.8867	Belgium	59.30-60.30
Brazil Cruzeiro	42.50-43.50	21.45-21.95	Denmark	10.25-10.35
Finland Markka	7.92-7.94	4.0085-4.1005	France	8.51-8.61
Greek Drachma	71.690-73.442	36.20-37.10	Germany	3.68-3.78
Hong Kong Dollar	9.43½-9.45½	4.7660-4.7690	Italy	1,660-1,710
Iran Rial	151.50-161.50	76½-81½	Japan	400-410
Kuwait Dinar (KD)	0.539-0.549	0.2751-0.2752	Netherlands	3.98-4.08
Luxembourg Frc.	58.60-58.70	29.61-29.64	Norway	10.15-10.25
Malaysia Dollar	4.3860-4.3985	2.2050-2.2100	Portugal	90-99
New Zealand Dlr.	1.8830-1.8910	0.9505-0.9550	Spain	139.30-144.30
Saudi Arab. Riyal	6.67-6.77	3.3680-3.3740	Switzerland	3.35-3.45
Singapore Dollar	4.3125-4.2600	2.1750-2.1800	United States	1.9780-1.9880
Sth. African Rand	1.7007-1.7342	0.8590-0.8760	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Feb. 2	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.980	3.735	399.0	8.555	3.385	4.028	1676.	2.373	58.65
U.S. Dollar	0.505	1.	1.886	201.5	4.321	1.710	2.034	846.2	1.198	29.62
Deutsche mark	0.268	0.530	1.	106.8	2.290	0.906	1.078	448.6	0.635	15.70
Japanese Yen 1,000	2.506	4.962	9.361	1000.	21.44	8.484	10.09	4199.	5.947	147.1
French Franc 10	1.169	2.314	4.366	466.4	10.	3.957	4.708	1959.	2.774	68.56
Swiss Franc	0.295	0.585	1.103	117.9	2.527	1.	1.190	495.0	0.701	17.33
Dutch Guilder	0.248	0.492	0.927	99.07	2.124	0.840	1.	416.0	0.589	14.56
Italian Lira 1,000	0.597	1.182	2.228	238.1	5.106	2.020	2.404	1000.	1.416	35.00
Canadian Dollar	0.421	0.834	1.574	168.1	3.605	1.426	1.697	706.1	1.	24.72
Belgian Franc 100	1.705	3.376	6.368	680.3	14.59	5.772	6.867	2857.	4.046	100.

LONDON MONEY RATES

Feb. 2 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-13	—	—	—	12½-12¾	10-11½	—	—	—
2 days notice	—	—	[illegible]	—	—	[illegible]	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	[illegible]	13	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	—
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills [illegible] per cent; four-month trade bills [illegible] per cent. Approximate selling rates for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent and also three-month [illegible] per cent. Finance House Base Rates (published by the Finance Houses Association) 12½ per cent from February 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount [illegible] per cent.

MONEY RATES

NEW YORK	
Prime Rate	11.5-11.75
Fed Funds	10.09375
Treasury Bills (13-week)	9.24
Treasury Bills (26-week)	9.26
GERMANY	
Discount Rate	3
Overnight Rate	3.80
One month	3.85
Three months	4.15
Six months	4.25
FRANCE	
Discount Rate	9.5
Overnight Rate	6.5
One month	6.375
Three months	6.6875
Six months	6.8125
JAPAN	
Discount Rate	3.5
Call (Unconditional)	[illegible]
Bills Discount Rate	[illegible]

UK PENDING DIVIDENDS and NEW ISSUES

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figure usually accompany final dividend announcements.

	Date	Announcement last year
AAH	Mar. 9	Int. 2.75
Ault and Wiborg	Mar. 10	Final 1.3
BSR	Mar. 7	Final 3.507
BTR	Mar. 8	Final 4.82
Barclays Bk.	Feb. 23	Final 5.5491
Barratt Developmts.	Mar. 8	Int. 2.64
Barrow Hepburn	Mar. 8	Final 1.9331
Bath and Portland	Feb. 15	Final 1.798
Bibby (J.)	Mar. 7	Final 4.0373
*Birmid Qualcast	Feb. 14	Final 3.107
British Vita	Mar. 2	Final 1.09
Brown Bros.	Feb. 16	Sec. int. 0.5
*Carrington Viyella	Feb. 21	Final 1.50505
*Commercial Union	Feb. 27	Final 5.081
*Dalgety	Feb. 13	Int. 6.407
Debenture Corpn.	Feb. 16	Final 2.2
*Dowty	Feb. 7	Int. 2.21
Drake and Scull	Feb. 14	Final Nil
EMI	Mar. 2	Int. 3.41
Fisons	Mar. 8	Final 7.364
*HK and Shanghai Banking	Feb. 27	Final HK$0.47
Hoover	Feb. 23	Final 9.21
Howden (Alexander)	Mar. 9	Final 4.09
*ICI	Feb. 22	Sec. int. 7.51587
*Imperial Grp.	Feb. 8	Final 3.41
Johnson and Firth Brown	Feb. 23	Int. 1.3
Lex Service	Mar. 9	Final 2.7 fest.
*Lloyds Bank	Feb. 16	Final 4.936
London Shop Prop.	Feb. 23	Int. 0.888
*MFI Furniture Centres	Feb. 13	Int. 1.38
Marchwiel	Feb. 20	Final 2.4
Midland Bk.	Mar. 10	Final 1.75
NatWest	Feb. 28	Final 6.3229
Neepsend	Feb. 23	Int. 0.92125
Nottingham Manufactg.	Feb. 12	Final 2.332
Ransomes Sims and Jefferies	Feb. 27	Final 6.038
Rentokil	Mar. 8	Final 0.981
Royal Insce.	Mar. 2	Final 9.936
*Securicor	Feb. 14	Final 0.9568
Shell Transport	Mar. 9	Final 6.882
Steetley	Mar. 8	Final 3.9852
Sunley (B.) Inv. Tst.	Feb. 16	Int. 1.654
Tunnel Hldgs.	Jan. 13	Final 2.293
*Turner and Newall	Mar. 6	Final 8.0955
Unilever	Mar. 7	Final 7.84
United Real Prop. Tst.	Feb. 15	Int. 1.25
Wagon Finance	Feb. 17	Final 2.875
Waterford Glass	Feb. 28	Final 0.7295
Woolworth (F. W.)	Mar. 8	Final 2.95

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	12½%
Amro Bank	12½%
American Express Bk.	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	13 %
Barclays Bank	12½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National Westminster	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Tst.	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10% up to £25,000 10½% and over £25,000 10¾%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
A$0.50	F.P.	—	67	61	Ashton Mining 50c	80	−2	—	—	—	—
65	F.P.	—	67	68	Caledonian Hldgs.	88	−5	4.75	2.5	8.1	7.4
155	F.P.	10/1	187	170	Harris Queensw'y 20p	182	−1	7.6	3.1	6.4	7.6
**	F.P.	16/2	132	118	Hunting Assoc. Defd.	130	−7	—	—	—	—
—	F.P.	—	104	89	††IAS Cargo Airlines	104	+3	P2.8	3.7	4.0	11.3
**	F.P.	9/2	54	51	M. Y. Dart Defd.	51					
110	F.P.	17/1	136	115	Mill'tts L's're Shps 20p	131		5.7	1.6	6.6	12.6

FIXED INTEREST STOCKS

Issue Price	Am'unt Paid up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price	+ or −
**	F.P.	16/2	109p	105p	Assoc. Dairies 9¾% Pref	105p	
*	F.P.	26/1	100	89¾	Colne Valley Water 8¾% Red Prf 1985	100½	
§100p	F.P.	28/12	100½p	98p	Findlay 8% Cnv. Cum. Red. Prf.	98p	
§100	F.P.	5/1	128	102	Hawley-Leisure 12% Cnv. Uns. Ln. '86 88	128	+3
—	F.P.	—	138p	118p	††IAS Cargo Airlines 6% Cnv. Pref. £1	138p	+4
*	F.P.	1/3	101¼	101	Mid Kent Water 8% Pref. 1984	101¼	
100p	F.P.	11/1	107p	100½p	Rivington Reed 9½% Cnv. Cum. Red. Pref.	105p	
97½p	F.P.	5/1	99p	97p	Seascope 10¼% Pref.	97p	−½
**			98p	96p	Shaw Carpets 10% 2nd Cum. Pref. £1	98p	

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978/9 High	1978/9 Low	Stock	Closing prices p:	+ or −
60	F.P.	19/1	19/2	78	67	Associated Biscuit	76	−1
125	Nil	—	—	45pm	29pm	Baker Perkins	43pm	+3
C$21½	Nil	—	—	$25pm	$18pm	Bank of Nova Scotia	$18pm	
45	F.P.	8/12	9/3	58½	47	Foster (John)	55	−1
220	Nil	—	—	35pm	18pm	Haslemere Estates	34pm	+3
105	Nil	—	7/3	26pm	19pm	Neil & Spencer	25pm	+4
20c	Nil	—	—	33pm	24pm	Poseidon	26pm	−1
10	F.P.	22/1	28/2	17½	14½	Suter Electrical Defd.	17	−1
18	Nil	—	—	8pm	5pm	Swan Ryan Intl.	7½pm	+1½
28	F.P.	10/1	9/2	38	34	York Fine Woollen	37½	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

Public Works Loan Board rates

Effective from February 3

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13¾	13¾	14	14½	14½	14½
Over 5, up to 10	14	14	14¼	14½	14½	14¾
Over 10, up to 15	14	14¼	14¼	14½	14¾	14¾
Over 15, up to 25	14¼	14¼	14¼	14¾	14¾	14¾
Over 25	14¼	14¼	14¼	14¾	14¾	14¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barnsley Metro. (0226 203232)	12	½-year	250	5-7
Burnley (0282 25011)	12½	½-year	500	5-7
East Linsey (0507 5801)	12¾	½-year	2,000	5-10
Exeter (0392 77888)	12½	½-year	500	6-7
Knowsley (051 548 6555)	12½	½-year	1,000	6-10
Poole (02013 5151)	11¾	½-year	500	2-3
Poole (02013 5151)	12¼	½-year	500	5
Poole (02013 5151)	12½	½-year	500	6-7
Reading (0734 55911)	12¾	½-year	1,000	5-7
Redbridge (01-478 3020)	12	½-year	200	4-5
Salford (061 794 4711)	12½	½-year	1,000	4-7
Sefton (051 922 4040)	12	½-year	2,000	3-4
Sefton (051 922 4040)	12¾	½-year	2,000	5-7
Wrekin (0952 505051)	12½	½-year	1,000	5-10

APPOINTMENTS

APPOINTMENTS

Senior scientific divisional post in Fisons group

Mr. Cedric Scroggs is to become managing director of the scientific equipment division of FISONS next April. The divisional executive group directors, including the four trading areas within the scientific equipment division—laboratory supplies, education, scientific instruments and international—will report to Mr. Scroggs, as will the divisional secretary, chief accountant and personnel manager. **Mr. F. J. Heath** is director-in-charge of the scientific equipment division and a deputy chairman of Fisons.

Mr. H. J. Blackboro, managing director of the pharmaceutical division of Fisons, has been invited to serve on the executive committee of the PROPRIETARY ASSOCIATION OF GREAT BRITAIN, the trade association for over-the-counter medicines in the UK. The last representative of the company on the executive committee was Mr. J. Valentine, who is now chairman of the pharmaceutical division. Mr. Blackboro is also an associate director of the group main board of Fisons.

★

Mr. Anthony J. Blythe has been appointed managing director of RICHARD SIMON AND SONS, a member of the engineering division (midlands) of the Dobson Park Industries Group.

★

J. R. Owens have been appointed to the Board of MIDLAND MONTAGU LEASING, a subsidiary of the Midland Bank Group.

★

Following re-organisation, **Mr. M. A. Lydon** has become senior international executive in NATIONAL WESTMINSTER BANK'S corporate financial services section in the international banking division. **Mr. N. R. Jarritt** continues as chief international executive. **Mr. L. G. Shackleford** has been made senior manager responsible for energy, shipping, aerospace and industrial, and **Mr. H. G. Jones** has been appointed to a similar position responsible for syndication, international projects and export and shipbuilding finance.

★

Mr. B. Rudd has been appointed secretary of DUNLOP HOLDINGS in succession to Mr. D. C. Rissik who is retiring after 26 years with the company. Mr. Rudd joined George Angus and Co. in 1959, becoming secretary in 1963. Following the acquisition of George Angus by Dunlop, he was first appointed secretary, then a director of Dunlop-Angus Industrial Group. In 1977, he became secretary of the Central Committee of the Dunlop-Pirelli Union, and at the beginning of last year, deputy secretary of Dunlop Holdings. Mr. Rissik had been company secretary since 1969.

★

Dr. Alan Mawson has been appointed director of WIGGINS TEAPE'S group development and technical services in succession to **Mr. J. J. Morris** who retires from the company on March 31. Dr. Mawson worked with McKinsey and Co., management consultants, before joining Nairn Floors, where he has held the post of research and development director for the past six years.

Major-General Peter Blunt has joined the EARLS COURT AND OLYMPIA group as director of operations for the two major London exhibition centres. He will be responsible for the services provided in the halls and he will also take charge of the £5m modernisation programme. Maj.-Gen. Blunt's Army career culminated with his appointment as assistant chief of defence staff (personnel and logistics). He was awarded the George Medal for gallantry in 1958.

★

Mr. John Green has been appointed national sales manager of PRITCHARD BUILDING PRESERVATION. He was previously area sales manager with Butler Building UK and the regional sales manager and later, regional general manager with the Atcost Group.

★

UNITED KINGDOM PROPERTY COMPANY states that the notification by the company of the appointment to the Board of Mr. S. A. Schlesinger was made in error, and his resignation has subsequently been minuted.

★

Field Marshal Sir Geoffrey Baker has been appointed a director of CITITEL CONSULTANCY.

★

Mr. K. J. Barry, Mr. R. B. Ferris, Mr. R. N. Oliver, Mr. L. C. T. Sallabank and Mr. W. A. Simpson have been appointed executive directors of GEORGE WIMPEY AND CO.

INSURANCE

Growth in assurance outpaces inflation

BY OUR INSURANCE CORRESPONDENT

COMPANIES WHO are members of the Life Offices' Association, the Associated Scottish Life Offices and the Industrial Life Offices Association have just reported large and even surprising growth for the last year.

New annual premiums paid for life assurance and annuities have increased 28 per cent to £1,350 against £1,050m in 1977, which is considerably higher than the inflationary growth needed to keep pace with the previous year.

Seemingly, many of those aware of the need for life cover had rather more spare cash available, while others perhaps had decided that the inflation of the mid-70s had so eroded their financial protection that substantial topping up was necessary. Whatever the individual causes, the associations attribute some of their very real growth to new pension business, a demand for unit linked contracts, and to the need for life cover for house purchase.

This 28 per cent growth in premiums for new annual contracts must be compared with the 6 per cent increase in single premium contracts—up from £521m in 1977 to £552m in 1978—an increase clearly less than inflation would have needed if demand had remained constant. Perhaps insurers and the associations might consider how to re-activate demand.

It is far too soon for the statisticians to have had time to compare 1978's results with those of previous years and produce figures showing the number of life policies in force, the number of pension scheme members and the size of life funds. At the end of 1977 there were 104m policies in existence with sums insured of £93,800m which had generated premium income of £3,914m.

Pensions

In pension schemes there were 9.06m insured, with premium income of £1,320m being laid out to purchase prospective annual pensions of £4,480m.

But millions, whether of policies or pounds of premium or cover, tend to be meaningless unles reduced to the individual content; so let us first look at just two of the 1977 figures—and set the number of policies in force against the sums assured and bonuses. Simple division gives a figure of around £900 a policy although the number of policies set against the number of potential adult policyholders indicates a holding of three policies per capita and a per capita sum assured of £2,700.

As some policyholders have life cover for tens of thousands of pounds, there are many policyholders who have very little life cover—which gives an opportunity for the expansion of life assurance business.

Scope

On a different set of figures: assume that some 15m adults out of the working population need life cover bought on an annual basis, with average earnings around £4,000 a year. The age span of this workforce covers over 45 years and assume that, on average, adequate life cover for any one member might be 10 years earnings in current pounds, £40,000 a piece. These assumptions show in current terms of the requirement of £600,000m of sums assured, roughly six times the 1977 total.

Even if you work from lower assumptions, there is undoubtedly tremendous scope for the life companies to expand, to double or treble the overall protection they afford.

TEL AVIV

Company	Prices Feb. 4 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel ..	397	+ 13.0
IDB Bankholding	514	—
Bank Hapoalim Br.	554	+ 2.0
Union Bank of Israel Br.	490	− 35.0
United Mizrahi Bank ...	289	− 18.0
Hassneh Insurance Br....	464	− 31.0
General Mort. Bank Br.	417	− 17.0
"Tefahot" Israel Mt. Bk.	400	− 39.0
Land Development		
Africa Israel Invest. IL10	1,108	− 62.0
Israel Land Devel. Br....	255	− 4.0
Property and Building ...	450	+ 2.0
Public Utility		
Israel Electric Cpn.	353xd	− 24.0
Investment Companies		
Bank Leumi Invest.	470	− 16.0
"Clal" Israel Invest....	422xd	+ 22.0
Commercial and Industrial		
Alliance Tire and Rubber	1,420	+ 15.0
Elco Br.	281	+ 8.0
Argaman Textile Br. ...	350	+ 10.0
"Ata" Textile "B" ...	219.5	+ 4.5
Amer. Israeli Paper Mills	563	− 17.0
Assis	319	− 6.0
Elite	373	− 9.0
Teva Reg.	662	+ 2.0
Fuel and Oil		
Delek	278	− 3.0

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Feb. 2	Feb. 1	Jan. 31	Jan. 30	Jan. 29	Jan. 26	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
● Industr'ls	834.65	842.87	851.22	851.78	855.77	859.75	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.52	85.51	85.41	85.13	85.24	85.84	90.86 (4/1/78)	84.89 (15/11/78)	—	—
Transport..	213.43	214.51	214.53	216.29	217.91	218.74	261.48 (8/9)	199.31 (9/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities ...	104.26	104.55	104.51	104.67	104.50	104.06	110.98 (5/1)	97.75 (20/12)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	25,550	27,950	30,230	25,910	24,240	24,230	—	—	—	—

● Day's high 843.33 low 832.47

	Jan. 26	Jan. 19	Jan. 12	Year ago (approx
Ind. div. yield %	5.66	5.81	5.80	6.02

STANDARD AND POORS

	Feb. 2	Feb. 1	Jan. 31	Jan. 30	Jan. 29	Jan. 26	1978-79 High	1978-79 Low	Since C'mpil't'n High	Since C'mpil't'n Low
Indust'ls	110.25	111.46	111.22	112.70	113.29	113.64	118.71 (12/9)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
Composite	98.30	99.85	99.83	101.05	101.65	101.86	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Jan. 31	Jan. 24	Jan. 17	Year ago (approx).
Ind. div. yield %	4.99	4.96	4.97	5.22
Ind. P/E Ratio	9.05	9.06	9.01	8.69
Long Gov. Bond Yield	8.84	8.91	8.97	8.18

N.Y.S.E. ALL COMMON

Feb. 2	Feb. 1	Jan. 31	Jan. 30	1978-79 High	1978-79 Low
55.79	56.00	55.99	56.60	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Feb. 2	Feb. 1	Jan. 31
Issues Traded ..	1,850	1,849	1,876
Rises ...	659	625	465
Falls	725	775	1,035
Unchanged .	446	449	379
New Highs ..		18	17
New Lows .		15	7

	Feb. 2	Feb. 1	Jan. 31	Jan. 30	1978-79 High	1978-79 Low
MONTREAL Industrial	226.35	227.62	229.88	230.99	232.44 (29/1/79)	182.90 (16/2)
Combined	231.12	231.78	235.21	235.35	237.83 (24/1/79)	170.82 (30/1)
TORONTO Composite	1349.6	1350.7	1355.9	1372.8	1382.4 (29/1/79)	998.2 (30/1)
JOHANNESBURG Gold	263.1	268.8	270.2	272.5	275.3 (30/1/79)	186.0 (20/4)
Industrial	302.0	309.5	1356.9	300.7	300.8 (29/1/79)	194.3 (14/3)

	Feb. 2	Pre-vious	1978-9 High	1978-9 Low
Australia(*)	577.21	570.01	577.21 (2/2/79)	411.19 (1/3)
Belgium (‡)	104.41	103.67	105.41 (2/2/79)	90.45 (25/6)
Denmark (**)	92.50	92.47	99.32 (14/3)	88.93 (30/10)
France (††)	76.6	75.8	85.3 (3/10)	47.6 (6/2)
Germany(‡‡)	812.20	812.5	865.8 (19/10)	759.4 (1/3)
Holland (§§)	84.3	84.5	95.1 (11/8)	80.0 (4/4)
Hong Kong (¶¶)	554.96	548.46	707.70 (4/9)	363.8 (13/4)
Italy (‖)	73.05	73.07	82.35 (22/9)	55.40 (10/1)
Japan (a)	460.43	461.20	462.37 (31/1/79)	364.04 (4/1)
Singapore(b)	372.10	372.95	414.50 (6/9)	282.0 (4/1)
Spain (d)	95.30	95.56	97.79 (27/7/78)	86.61 (22/1/79)
Sweden (e)	334.34	331.95	445.03 (4/5)	322.74 (5/1)
Switzerld(f)	312.2	310.1	325.7 (14/7)	281.6 (26/9)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

EUROPE

AMSTERDAM

Feb. 2	Price Fls.	+ or −	Div. %	Yld. %
Ahold (Fl.20)	119.2	−0.1	18	4.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRUSSELS/LUXEMBOURG

Feb. 2	Price Frs.	+ or −	Div. Frs. Net	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPAIN ♥

February 2	Per cent	
Asland	116	− 2
Banco Bilbao	264	—
Banco Central	285	+ 4
[illegible]	[illegible]	[illegible]

TOKYO ¶

Feb. 3	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass....	557		14	2.0
Canon......	504	−1	12	1.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

COPENHAGEN ♦

Feb. 2	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

Feb. 2	Price %	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

Feb. 2	Price Kroner	+ or −	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GERMANY ♦

Feb. 2	Price DM.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND ♦

Feb. 2	Price Frs.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

Feb. 2	Price Lire	+ or −	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OSLO

Feb. 2	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

Feb. 2	Price Frs.	+ or −	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

Hong Kong $	Feb. 2	Jan. 29
[illegible]	[illegible]	[illegible]

xd Ex-dividend. † Buyer. ‡ Seller. Susp. Suspended.

BRAZIL

Feb. 2	Price Cruz	+ or −	Cruz Div.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Rio de Janeiro SE.

JOHANNESBURG

MINES

February 2	Rand	+ or −
[illegible]	[illegible]	[illegible]

INDUSTRIALS

	Rand	+ or −
[illegible]	[illegible]	[illegible]

Securities Rand $U.S.0.67½ (Discount of 41.7%)

AUSTRALIA

Feb. 2	Aust. $	+ or −
[illegible]	[illegible]	[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

WALL STREET

NEW YORK

1978-79 High	1978-79 Low	Stock	Feb. 2
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

1978-79 High	1978-79 Low	Stock	Feb. 2
[illegible]	[illegible]	[illegible]	[illegible]

* Assented. § Bid. ‡ Asked. § Traded. † New stock.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS — BY FRANCIS GHILES

A flood of new issues released

THERE WAS plenty of good news to cheer the dollar sector of the bond markets last week, not least a flood of new issues: $825m worth of new issues are on offer currently, the highest figure since early last year.

Most market participants were too busy dealing with this inundation of issues to spend too much time trading. *Even if they* had, they would have found little serious institutional interest in buying existing bonds in the secondary market other than on *a very selective basis.*

The background news was good. Two leading U.S. banks cut their prime rate by ¼ to 11¼ per cent. The dollar continued its spirited recovery reaching its highest level against the Yen since last July on Thursday. The six-month interbank dollar rate fell to just below 11 per cent *despite a hiccup on Wednesday* which pushed it to 11¼ for about 24 hours.

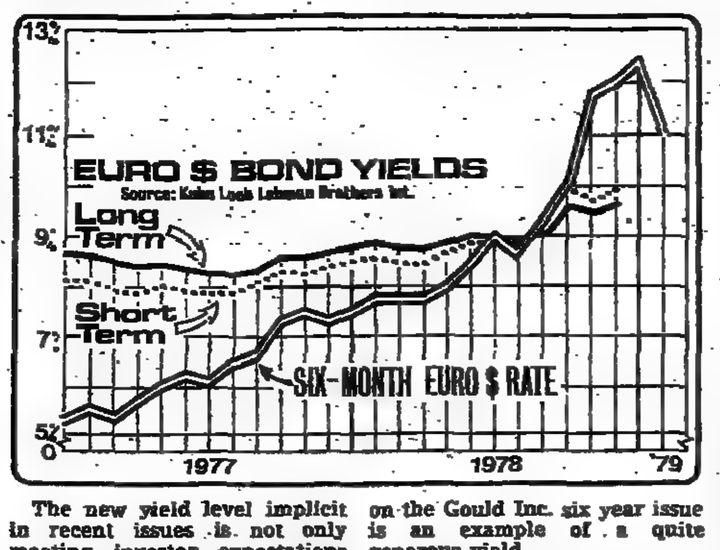
Many investors, not to mention bankers, cannot quite bring themselves to believe that U.S. interest rates have reached their peak. However, at the week's end, there was no indication that the market might be in for a bout of indigestion, despite the large volume of new issues announced.

This probably owes something to a practice which is currently prevalent in the primary market new issues are announced when fully underwritten and with final terms attached. This means that they are in all likelihood closely tailored to the requirements of investors. Current examples are the bonds for Sears Roebuck, the increased issue for PepsiCo, and the issues for Finland and for Gould Inc.

By most accounts the two issues for Canadian borrowers were meeting with a good reception and that for New Brunswick Electric Power had its coupon cut by ¼ per cent to 9¾ per cent.

Ciba-Geigy whose convertible issue was announced on Friday has never arranged a dollar convertible before and the quality of the name alone should attract strong demand. Each bond will be initially convertible into two bearer participation certificates of Ciba-Geigy AG, the Swiss parent company, with a conversion premium expected to be no higher than 15 per cent. Conversion will be possible from September 1, 1979 until maturity in 1994.

A $125m floater for BNP was announced and a $30m FRN for Banco Urquijo, a Spanish bank, through Societe Generale is expected soon.



The new yield level implicit in recent issues is not only meeting investor expectations but also leading to some good secondary market performances for recently priced issues. The Bayer 7.25 per cent 1989 bonds with warrants was trading at 99-½. Six weeks ago most new issues, irrespective of quality or terms, tended to open in the market less the full selling commission of 1½ per cent. The 9¾ per cent offered on the Gould Inc. six year issue is an example of a quite generous yield.

Considering the new interest rate question mark over money market instruments and the recent scarcity of new bonds it is not surprising that institutions should welcome new long term borrowers: no one wants to miss out on a renewed surge in prices.

With the dollar sector an altogether happier place last week, the Swiss franc and D-Mark markets looked somewhat morose. In the Swiss franc sector prices were off about ¼ point (they had risen by as much as 1½ points the week before following the removal of the inward investment ban announced by the Swiss central bank) with trading back to *normal levels*. Hectic trading, which followed the measures, wore off after two days.

In the Deutsche-Mark sector trading was thin during all last week. The new issue calendar, which could amount to DM950m, was felt to be rather top-heavy by some bankers. Last week alone straight bonds worth DM200m were announced, but higher yields than those offered recently should help to attract investors.

The French franc sector remained buoyant. The strong demand for the FFr. 200m issue for Norway due to be priced later today could lead Societe Generale to set a final price above par.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Sonatrach	50	1991	9½	7½°	100	Dillon Read Overseas	7.64°
‡¶¶EIB	100	1991	9.8	9½	99.30	Crédit Suisse First Boston, Nikko Securities	9.72
New Brunswick Elec. Power Comm. (g'teed Prov. New Brunswick)	75	1994	11	9¾	100	Crédit Suisse First Boston	9.75
Hudson's Bay Co.	50	1994	10.99	10	*	Morgan Stanley	*
†BNP	125	1991	12	5¼°	100	BNP, CSFB, Caisse des Dépots et Consignations, Merrill Lynch, Salomon Bros.	5.58°
‡Sears Overseas Finance NV	150	1982	3	9	99¼	Goldman Sachs	9.20
‡Finland	100	1986	7	9¼	99¼	Hambros Bank	9.60
‡PepsiCo Capital Corp. NV	100	1984	5	9¼	100	UBS (Securities)	9.25
Redland Finance NV	25	1991	10	9¼	*	Baring Brothers	*
GTE Finance NV	50	1984	5	9½	100	Bank of America Int.	9.50
§CIBA-GEIGY Overseas Finance NV	*	1994	—	4	100	UBS (Securities)	4.0
‡Gould Inc. Finance NV	50	1985	5.1	9¾	100	Kidder Peabody	9.75
D-MARKS							
‡§**Nippon Miniature Bearing Co. Ltd.	30	1986	—	4	100	Bayerische Vereinsbank	4.0
‡§Tokyu Land	70	1986	—	4	100	BHF-Bank	4.04
**Euratom	88	1991	8½	6½	*	Deutsche Bank	*
§Minolta Camera Co. Ltd.	70	1989	—	4	100	WestLB	4.04
Statoil	150	1989	8½	6½	*	Deutsche Bank	*
Electrobras	100	1987	8	7	99	Dresdner Bank	7.17
§**Dai Nippon Screen Mfg.	35	1987	8	4	100	Bayerische Vereinsbank	4.04
Bank of Tokyo (Curacao) Holding NV	50	1986	7	5½	99½	Deutsche Bank	5.84
FRENCH FRANCS							
Norway	200	1984	5	9¼	100	Société Générale	9.375
YEN							
‡Inter-American Dev. Bank	10bn	1994	12.3	6.9	99.10	Daiwa	*
GUILDERS							
Denmark	100	1985/89	—	9	*	Algemene Bank Nederland	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ¶¶ $80m Registered with Japanese Ministry of Finance. Note: Yields are calculated on AIBD basis.

IRANIAN DEBT — BY MARY CAMPBELL

Big assets behind a big risk

THE SITUATION in Iran is unprecendented in the history of bank lending to sovereign states, and it poses a new kind of dilemma for the international banks. Never before have they been in the position of considering whether a default should be called on a borrower which actually has more foreign assets than debts.

Past experience of country default (Peru, Turkey, Zaire, North Korea) involved borrowers which had very little money abroad. This meant that banks stood to gain nothing by calling a default because there were no foreign assets to take over in repayment.

Iran, in contrast, has large foreign assets, many of them relatively easily frozen or attachable through court action. At the last recorded date (end June, 1978) Iranian entities in both government and private sectors had $6.5bn of deposits with non-U.S. commercial banks in major Western countries. Figures for deposits with U.S. banks are not published but are doubtless substantial.

At the last count in October, Iran's official *foreign* exchange reserves were over $10bn, though they have doubtless fallen since then. Iran has all sorts of other assets abroad, such as loans to British public sector entities and shareholdings in foreign companies like Krupp.

All this is substantial in relation to its foreign debt (including short term and private sector debt) of $10bn-$12bn.

Thus for once the banks are ahead of the game. They are considering calling a default before the country concerned has run out of liquid resources with which debt might be repaid.

Major banks involved in lending to Iran emphasise that they are not at present considering action to try to freeze or attach these assets. This is despite the fact that they are certainly considering what the future of Iran might be as an Islamic republic or under a Left wing or Communist regime.

They note that although the Koran/Islamic law forbids payment of interest it also calls for repayment of debts.

These bankers argue that the world has changed since the Tsarist regime was transformed into the Soviet Union in 1917 or since communist regimes took over in Eastern Europe and China in the 1940s. Apart from Mexico and Brazil, Eastern European countries are now among the banks' biggest net debtors.

They feel that no modern state with pretensions to economic and social development could willingly renege on its debts or even call a moratorium.

The fact that some banks in lending syndicates have been reserving their positions on whether to call a default on the grounds of "adverse material change" in Iran does not mean that they are on the verge of doing so.

It simply reflects the legal position that if they decide that the "material change" which has clearly occurred in Iran does not justify a call for default now, then a court might subsequently dismiss this as grounds for calling a default later. Indeed, if a majority of banks polled on the subject have already answered with a simple negative rather than reserving their positions, the ability to use the material change clause to call a default later may already have disappeared.

The worst case for the banks would be if the current anarchy and power vacuum in Iran were to continue for several months during which the country's foreign assets and domestic economy were to be run down to such an extent that Iran was no longer able to service its debts out of its remaining wealth or to have the prospect of doing so out of future earnings.

It would seem unlikely that a court would dispute the fact that adverse material change has occurred. Once a default had been called on these grounds on one loan, cross default clauses would ensure that other loans to the same borrower would fall into default too.

But bankers remain sceptical as to how successful they would be in attaching assets. One problem is the fact that Iranian deposits and wealth abroad are mainly owned by institutions which are different to those which have raised loans. For instance, bankers note that only a small proportion of Iran's foreign borrowing is in the name of the state or state-guaranteed whereas much of Iran's foreign wealth is state-owned.

Feasibility aside, the fact is that few banks would like to be known as the prime mover in getting a default called for fear of destroying their welcome in Iran if and when it were to be resuscitated as a major economic force. Indeed such is the nature of international banking that one of the main concerns of bankers at present is whether their competitors are earning more points than they in showing loyalty through Iran's time of trouble.

U.S. BONDS — BY JOHN WYLES

Defining a strategy

THE FEDERAL Open Market Committee meets tomorrow to set the central bank's interest rate strategy for the month and its debate is likely to be even more interesting than usual. In essence, the choice facing the Committee is between maintaining the current restrictive stance based on a Fed funds rate target of 10-10¼ per cent or giving official endorsement of the recent decline in short term interest rates which has brought increasing cheer to the bond market in the last couple of weeks.

The current rally, which started in earnest 12 days ago showed signs of faltering last Tuesday until Chase Manhattan Bank cut its prime rate from 11¾ to 11½ per cent late in the day. In the next three sessions bond prices then went on to draw greater strength from the decline in the December index of leading economic indicators and from Thursday's money supply figures which revealed further sharp declines, $3.1bn and $2.9bn respectively in M1 and M2. With further help from the U.S. Treasury, whose modest quarterly refinancing plans draw murmurs of approval, the government securities market scored solid but unspectacular gains with the Treasury 9¾'s of 1980 up about ¼ at 100½ and the 8¾'s of 2008 up about at ½ to 95½ and yielding 8.80 per cent.

Active corporates fared just as well rising between ¼ and ½. The Pennsylvania Bell issue of 9¼ 40 year bonds, whose resale was an underwritting debacle nearly three weeks ago closed the week up an ½ to yield 9.27 per cent, compared to 9.37 per cent at issue, while Ford Motor Company's 9¼ per cent seven year notes gained ¾ to finish the week yielding 9.31 per cent compared to 9.47 per cent at issue.

Whether this rally can be sustained in the coming week is distinctly uncertain, and the final word may well be with the open market committee as communicated through the activities of the Fed's open market desk. Most observers believe that the Fed will stand pat on its current funds rate tarket at least for February, partly because a relaxation may do the dollar no good, and partly out of scepticism about the money supply figures which in the last 13 weeks have shown a 2 per cent annual rate of reduction in M1 and a mere 1.9 per cent rate of gain for M2.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Age Akt. 9⅞ 88	25	95⅞	96⅜	0	+0⅛	10.02
Australia 8.45 83	175	†96	96⅜	0	−0⅛	9.71
Australia 9⅛ 93	75	†97½	98⅛	+0⅛	+0⅛	9.82
Beatrice Foods 7⅞ 83	100	95⅜	95⅞	+0⅛	−0⅛	9.09
CECA 8⅞ 87	50	†94⅛	94⅝	0	−0⅛	9.75
CECA 9⅜ 84-89	50	96⅞	97⅜	0	+0⅛	9.98
CNT 9 93	75	95	95½	0	−0⅛	9.81
Canada 9 83	400	†98⅜	98⅝	+0⅛	+0⅛	9.47
Canada 9⅛ 98	350	98⅜	99⅛	+0⅛	+0⅛	9.58
Canadair 8⅜ 83	70	95	95½	0	−0⅛	9.86
Dominion Bridge 9 88	25	95½	96	−0⅛	−0⅛	9.82
EIB 9⅜ 98	125	†95⅜	96⅜	0	+0⅛	9.78
Eksportfinans 9 88	50	96	96½	+0⅛	+0⅛	9.70
Finland 9⅜ 83	100	†97	97⅜	+0⅛	+0⅛	9.72
Finland 9 88	100	†96	96⅜	+0⅛	+0⅛	9.81
Hospital O/S 9 83	25	97⅜	98⅜	+0⅛	−0⅛	9.56
Ital Finance 9⅜ 90	30	94⅞	95⅜	0	−0⅛	10.48
J. C. Penney 8⅞ 83	100	96⅞	97⅜	+0⅛	−0⅛	9.28
NZ Dev. Fin. 8⅝ 83	20	94⅜	95⅜	−0⅛	−0⅛	9.80
NZ Dev. Fin. 8⅝ 85	20	94⅛	94⅝	0	−0⅛	9.58
Nat. West. 9.85	75	96⅜	96⅞	0	+0⅛	9.30
Newfoundland 9⅞ 90	50	97⅞	98⅛	0	0	9.51
Nord Inv. Bk. 8⅞ 88	25	95½	96	+0⅛	−0⅛	9.44
Norges Komm. 9½ 98	75	†95⅜	96½	0	+0⅛	9.80
Norsk Hydro 9⅜ 94	50	96⅜	96⅞	0	−0⅛	9.68
Norway 7⅞ 83	250	93⅜	93⅞	0	−0⅛	9.76
Norway 8⅞ 83	150	†97⅛	98	+0⅛	+0⅛	9.64
Norway 9⅜ 84	150	100⅜	101⅛	+0⅛	0	9.71
Occidental 8⅞ 85	75	93	93½	0	−0⅛	10.36
Ont. Hydro 8½ 85	125	94⅜	95⅛	+0⅛	−0⅛	9.57
Quebec Hydro 9½ 93	50	96⅜	98⅜	−0⅛	−0⅛	9.67
Sweden 9⅞ 98	125	†96⅜	97½	−0⅛	+0⅛	9.81
UK 8½ 85	200	†95½	96⅜	−0⅛	−0⅛	9.80
UK 8⅞ 93	150	95½	96⅛	−0⅛	−0⅛	9.62

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6⅞ 86	150	95½	96⅞	−0⅛	−0⅛	7.13
Australia 6 88	250	99¾	100⅜	+0⅛	−0⅛	5.99
Austria 5¾ 90	150	92¾	93½	−0⅛	−0⅛	6.62
Bankamerica 5¾ 90	150	98⅞	99⅝	+0⅛	+0⅛	5.85
Bq. Ext. Algerie 7¾ 85	100	95⅝	97⅛	0	+0⅛	7.83
Brazil 7⅜ 87	150	100⅜	100⅜	0	0	7.16
CECA 6 88	150	96⅝	97⅜	−0⅛	+0⅛	6.44
Canada 4¾ 83	600	98⅜	98⅝	+0⅛	+0⅛	5.17
Ch. Manhttn. O/S 6 93	100	100½	100⅝	+0⅛	0	5.96
Commerzbank WW 3½	100	100¾	102	+0⅛	+0⅛	3.33
Commerzbank XW 3½	100	81½	82¾	−0⅛	−0⅛	6.08
Copenhagen City 6 90	75	92¾	92⅞	−0⅛	−1	6.95
Council of Europe 6⅜	100	97⅜	98⅜	0	+0⅛	6.41
Council of Europe 6⅞	130	98⅜	99	−0⅛	+0⅛	6.42
EIB 6 90	300	95⅜	95⅝	−0⅛	−0⅛	6.59
EIB 6½ 91	200	96⅜	96⅞	+0⅛	0	6.92
Finland 6 83	150	99¾	100½	+0⅛	+0⅛	6.02
Hitachi Ship 5¾ 83	50	100	100½	+0⅛	+0⅛	5.69
IBJ 5 84	100	97⅜	98⅛	+0⅛	+0⅛	5.41
Indonesia 7 84	100	97½	98	0	+0⅛	7.49
Kobe, City of 5¾ 86	100	100⅜	101⅛	−0⅛	−0⅛	5.80
Norges Komm. 6⅜ 89	150	97⅜	97⅞	+0⅛	+0⅛	6.56
Mitsubishi Petro. 5¾ 85	100	99⅜	100⅜	+0⅛	0	5.72
New Zealand 6⅜ 87	200	99⅞	100⅜	+0⅛	+0⅛	6.23
Nippon Steel 5⅝ 85	100	98⅞	99⅜	−0⅛	−1⅛	5.88
Nordic Inv. Bk. 6¼ 85	80	98	98½	0	+0⅛	6.57
Norges Komm. 6 90	100	96⅜	97⅜	0	−0⅛	6.40
Norwegn. Ind. Bk. 6 90	125	95⅞	96⅜	−0⅛	−0⅛	6.48
Occidental 6¾ 90	150	96⅞	97⅛	+0⅛	0	7.15
OKB 6½ 88	150	100⅜	101⅛	+0⅛	+0⅛	6.36
Petroleo Brazil 7 88	100	98⅜	99⅜	−0⅛	−0⅛	7.16
PK Banken 5⅝ 88	100	92⅝	93⅜	+0⅛	−0⅛	6.79
Quebec Prov. of 6 90	150	94⅜	94⅝	−0⅛	+0⅛	6.71
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50
Sweden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.40
UDS Group [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.35
Union Bank Fine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.06
Venezuela [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.31
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.60

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.83
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6⅜ 88	15	96⅜	96½	+0⅛	−0⅛	6.33
Australia 5.6 83	30	100⅜	101⅛	0	−0⅛	5.49
Australia 6½ 88	20	97⅞	98⅞	−0⅛	−0⅛	6.84
BFCE 6.4 90	30	94½	95½	−0⅛	−0⅛	7.17
Eurofima 6.3 90	10	†95	96	−0⅛	−0⅛	7.00
Finland 5.6 83	10	98⅜	99⅛	−0⅛	−0⅛	5.92
Finland 6.8 88	10	97⅜	98⅜	0	0	7.23
Norway 5.7 83	25	100⅛	101⅛	+0⅛	+0⅛	5.50
Sweden 6.3 90	40	94⅜	95⅜	0	−0⅛	7.08

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ A$	12	95½	96½	−0½	−0⅛	12.69
Auto Cote B. 7 93 EUA	16	91⅜	92⅜	−0⅛	−1⅛	7.94
Copenhagen 7 93 EUA	30	92⅜	93⅛	−0⅛	−0⅛	7.84
Komm. Inst. 7½ 93 EUA	15	96⅜	97⅜	0	−0⅛	7.81
Panama 8¾ 93 EUA	20	95	96	0	−0⅛	8.80
SDR France 7 93 EUA	22	92⅜	93½	−0⅛	−2⅛	7.83
Algemene Bk. 6⅜ 83 Fl	75	94⅜	95⅜	+0⅛	+0⅛	7.72
Brazil 7½ 83 Fl	75	94½	95⅛	+0⅛	−0⅛	8.93
CFE Mexico 7¾ 83 Fl	75	97⅜	98	+0⅛	+0⅛	8.38
EIB 7⅜ 85 Fl	75	95⅜	96⅜	+0⅛	0	8.04
Neder. Midd. 6½ 83 Fl	75	94⅜	94⅞	+0⅛	+0⅛	8.04
New Zealand 6⅜ 84 Fl	75	94⅜	95⅜	+0⅛	0	7.91
Norway 6½ 83 Fl	100	93⅜	94⅜	0	−0⅛	8.25
OKB 6½ 85 Fl	75	90⅜	91	+0⅛	−0⅛	8.47
Elf Aquitaine 9⅜ 88 FFr	150	99⅜	100⅜	−0⅛	+0⅛	9.74
EIB 9⅜ 88 FFr	200	100	100½	−0⅛	0	9.69
Unilever 10 85 FFr	100	101⅜	102⅜	0	−0⅛	9.62
BAT 8 88 LuxFr	250	97	97⅜	0	0	8.40
Bayer Lux. 8 89 LuxFr	250	97⅜	98	−0⅛	+0⅛	8.42
EIB 7⅜ 88 LuxFr	250	96⅜	96⅞	0	0	8.29
Finland I. F. 8 88 LuxFr	250	96⅞	97⅜	0	0	8.42
Norway 7⅜ 83 LuxFr	250	97½	97⅞	0	0	8.42
Norges Km. 8 86 LuxFr	500	99⅜	100⅜	0	+0⅛	8.04
Renault 7⅜ 88 LuxFr	500	97	97⅜	0	−0⅛	8.15
Solvay Fin. 8 85 LuxFr	500	100⅜	101⅛	0	0	7.79
Swedish Bk. 8 88 LuxFr	500	99⅜	100	0	0	8.05

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
American Express 82	0⅛	99½	100	20/4	10⅝	10.65
Arab Intl. Bk. M6.5 83	0⅜	96⅜	98⅜	31/7	9⅜	9.73
BFG Fin. Co. M5.5 89	0⅜	98½	99	12/7	12.4	12.56
Bco. El Salvador M8 83	1⅛	97⅜	98⅜	12/4	11.31	11.54
Bco. Nac. Argnt. M8 83	0⅜	98⅜	99⅜	21/7	12⅛	12.33
Bank Handlowy M8 88	1½	97⅜	97⅜	25/11	12.94	13.27
Bank of Tokyo M5½ 93	0⅜	97	97½	18/4	10½	10.80
Banque Worms M5¾ 85	0⅜	98	98½	15/6	12	12.21
Bq. E. d'Alg. M8.375 84	0⅜	96⅜	97⅜	9/2	9⅜	9.92
Bq. E. d'Alg. M7.5 85	0⅜	95½	95⅞	2/5	12⅜	13.35
Bq. Indo et Suez M5½	0⅜	98⅜	99⅜	25/7	12	12.14
Bq. I. Afr. Occ. M6.5 83	0⅜	97½	98	12/7	12.4	12.69
CCCE M5.25 98	0⅜	97½	98	3/2	9.19	9.40
Ch. Man. O/S M5¾ 93	0⅜	97⅜	98⅜	27/7	11.73	11.96
Credit National M5⅜ 88	0⅜	98	98½	11/7	12.31	12.53
Gotabanken M6 88	0⅜	†98½	99	15/5	12.31	12.47
Ind. Bk. Japan M5½ 85	0⅜	99⅜	100⅛	1/6	12.35	12.35
Ljubljanska M7 75 85	1	96⅜	97½	18/7	12.94	13.32
LTCB Japan M5⅜ 85	0⅜	99⅜	99⅜	9/5	12.06	12.12
Midland Intl. M5½ 93	0⅜	98⅜	98⅜	20/7	12⅛	12.44
Nat. West. M5½ 90	0⅜	98⅜	99⅜	21/6	12½	12.64
Nipp. Crdt. Bk. M5.5 85	0⅜	100	100½	22/5	12.81	12.78
OKB M5¾ 88	0⅜	100	100½	18/4	10.56	10.54
Offshore Mining 86	0⅜	98⅞	99⅜	19/7	12.19	12.30
Petro Mexicano 7⅜ 84	0⅜	98⅜	99⅜	24/7	12.06	12.18
Privredna Banka M8 86	0⅜	95⅜	96⅜	22/6	13.44	14.02
Standard Chrt. M5.5 90	0⅜	97⅜	97⅜	10/2	8.94	9.18
Sundsvallsbnkn. M6 85	0⅜	97⅜	97⅜	4/4	10.06	10.32
Utd. Overs's Bk. M6 83	0⅜	99	99½	4/5	12.31	12.41

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5⅜ 93	9/78	628	104⅜	104⅞	−0⅛	14.83
Baker Int. Fin. 5½ 93	1/79	34	102½	103½	−0⅛	7.75
Boots 6⅜ 93	2/79	2.16	90⅜	91⅜	−0⅛	−2.51
Coca-Cola Bottling 6⅜	4/[illegible]	9	91⅜	92⅜	+0⅛	22.33
Ito-Yokado 5⅜ 93	6/78	1473	124⅜	125⅜	−2	−2.03
Novo Industri 7 89	4/79	259	90⅜	92⅜	+0½	7.73
Texas Int. Air. 7½ 93	4/79	14.6	90	90½	+0½	11.37
Thorn Int. Fin 7 88	11/78	3.67	99	99⅜	−0⅛	−1.25
Tyco Int. Fin. 8½ 88	9/78	21	99⅜	100⅛	−0⅛	17.16
Tyco Int. Fin 5 84	5/78	61.5	76	77	+0⅛	103.13
Asahi Optical 3½ DM	12/78	588	92⅜	93⅜	−0½	1.21
Casio Co. 3½ 85 DM	11/78	841	97⅜	98⅛	−1⅛	4.42
Izumiya 3½ 86 DM	10/78	989	91⅜	92⅜	−2	−2.48
Jusco 3½ 86 DM	1/79	1270	92⅜	93⅜	−1⅛	10.60
Konishiroku 3½ 85 DM	1/79	612	92⅜	93⅜	−1⅛	6.38
Marudai Food 3½ DM	2/79	1033	94½	95½	−2½	11.93
Murata M. 3½ 86 DM	11/78	854	101⅜	102⅜	−2⅜	−1.97
Nipp Air. 3.5 88 DM	12/78	508	88⅜	89⅜	−1⅛	1.07
Nippon Shinpan 3⅜ DM	8/78	738	106	107	−0½	3.05
Nippon Ysn. 3½ 85 DM	1/79	251	95⅜	96⅜	−0⅛	3.20
Nissan Diesl. 3½ 86 DM	2/79	477	92⅜	93⅜	−0½	8.58
Olymp. Opt. 3½ 85 DM	2/79	703	100⅜	101⅛	−1⅛	−0.39
Ricoh 3½ 86 DM	10/78	617	99⅜	100⅜	−1⅛	14.78
Sanyo Electric 3½ DM	11/78	285	92⅜	93½	−0½	−4.74
Seiyu Strs. 3⅜ 86 DM	9/78	1275	107⅜	108⅜	−1⅛	−5.77
Sharp Co. 3⅜ 88 DM	2/79	487	94½	95½	−1⅛	−3.74
Stanley Elec. 3½ DM	11/78	623	93⅜	94⅜	−0⅛	14.22
Tokyo Elec. 3½ 87 DM	4/79	476	94⅜	95⅜	−1⅛	−1.63
Trio-Knwd. 3½ 86 DM	11/78	711	90⅜	91⅜	0	23.30

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Feb. 2 ...	95.74	8.51	89.92	9.23
Jan. 26 ...	95.53	8.54	89.60	9.31
High '79 ...	95.74	(30/1)	[illegible]	(30/1)
Low '79 ...	94.49	(11/1)	88.86	(11/1)

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	645.0	1,191.9
Previous week	[illegible]	[illegible]
Other bonds		
Last week	476.6	381.4
Previous week	[illegible]	274.4

* *No information available—previous day's price.*

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on February 2

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Gilt Int. Tst	96.7	101.8		3.47
Abbey Capital	34.8	37.0	-0.3	4.45
Abbey Income	41.2	43.8	+0.1	6.40
Abbey Inv. Tst. Fd.	36.4	38.7	+0.1	4.76
Abbey Gen. Tst.	46.4	49.4xd	-0.3	4.55
Equitas Prog. Tst.	69.1	72.9	-0.5	4.61

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	69.0	73.8	-0.4	5.49
Brit. Inds. Fund	65.0	69.5	-0.4	5.61
Grth. & Inc.	37.2	39.8xd	+0.3	5.53
Elect. & Ind. Dev.	35.7	38.2	-0.2	4.71
Allied Capital	71.3	76.5	+0.5	4.79
Hambro Fund	109.5	117.2	-0.1	5.33
Hambro Acc. Fd.	125.5	134.3	+0.7	4.88
Income Funds				
High Yield Fd.	73.8	79.0	-0.2	8.23
High Income	68.1	72.9	+0.4	9.93
A. H. Eq. Inc.	39.3	42.0xd	-0.2	7.31
International Funds				
International	27.6	29.5xd	+0.2	2.31
Pacific Fund	46.4	49.7xd	+0.5	1.79
Secs. Of America	56.0	59.9	-0.3	1.92
Specialist Funds				
Smaller Co.'s Fd.	38.0	40.7xd	-0.1	4.67
2nd Smlr. Co's Fd.	50.6	54.1	-0.4	4.40
Recovery Sits.	99.1	106.0	+0.9	5.19
Met. Min. & C'dty.	44.0	47.1	-0.2	4.86
Overseas Earnings	59.6	63.8xd	+0.5	4.55
Exempt Funds				
Far East Exempt	48.7	50.7	+0.2	1.97
Smaller Co. Exempt	62.6	65.9	-0.4	4.93
U.S.A. Exempt	98.7	102.8	-0.7	2.14

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	52.7	56.6		4.91

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow 041-204 1321

J. Finlay Internat'l	23.9	25.7		2.15
Accum. Units	28.4	30.5		2.15
J. Finlay Income	34.2	36.8		8.38
J. Finlay Euro.Fin.	28.0	30.1		3.14
Accum. Units	33.2	35.6		3.14
J. Finlay Fd. In. Tst.	28.3	30.4		4.75
Accum. Units	33.0	35.4		4.75

Prices on Jan. 31. Next dealing Feb. 7.

Framlington Unit Mgt. Ltd. (a)
5-7 Ireland Yard, EC4B 5DH 01-248 6971

American	50.2	54.0		1.05
Capital T.*	136.0	144.6		3.95
Income Tst.	108.2	115.0		7.68
Int. Growth Fd.	119.4	127.0		2.07
Do. Accum.	124.2	132.0		2.07

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking 0306 5055

Friends Prov. Uts.	44.6	47.7		4.57
Do. Accum.	59.0	63.0		4.57

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital	100.9	103.0	+0.6	4.85
Gross Income	74.4	76.5	-0.5	9.41
High Yield	86.1	88.2	-1.3	8.97

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	88.9	94.5xd	-1.0	3.20
Do. Acc.	109.0	115.9	+2.5	3.20
G.T. Inc. Fd. Un.	164.6	175.1		8.20
G.T. U.S. & Gen.	126.9	134.9	-0.8	3.00
G.T. Japan & Gen.	91.5	96.5	-1.0	1.50
♦Gt. Pens. Ex. Fd.	153.0	161.5xd		4.00
G.T. Int'l Fund	153.7	163.5		2.00
G.T. Four Yds. Fd.	54.1	57.5		7.60
G.T. Far East & Gen.	46.8	50.3	+0.3	2.00

[illegible]

Cres. Reserves	39.4	42.3xd	+0.4	5.29
Cres. Tokyo	26.1	28.0	+0.1	1.87

Discretionary Unit Fund Managers
22, Blomfield St., EC2M 7AL 01-638 4485

Dis. Inc. Jan. 26	175.1	186.8		5.24

E. F. Winchester Fund Mngt. Ltd.
Old Jewry, EC2. 01-606 2167

Great Winchester	18.0	19.6xd		4.94
Gt. Winchester O'seas	18.2	20.3xd		4.38

Emson & Dudley Tst. Mngmnt. Ltd.
20, Arlington St., S.W.1. 01-499 7551

Emson Dudley Tst.	68.3	73.4		7.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe 0494 33377

Equity & Law	68.4	71.9	+0.5	4.34

(Accum. Units)	181.0	192.8	+0.8	8.94
Japan	177.4	188.9xd	+0.4	3.38
(Accum. Units)	180.1	191.8	+0.4	3.38
Magnum	209.2	224.9	-0.2	4.49
(Accum. Units)	268.2	288.3	-0.2	4.49
Midland	185.0	197.0	+0.4	7.28
(Accum. Units)	313.7	334.1	+0.7	7.28
Recovery	92.7	98.7xd	+0.7	3.66
(Accum. Units)	96.7	103.0	+0.8	3.66
Second Gen.	178.9	194.0xd	+0.7	5.28
(Accum. Units)	276.7	300.3	-1.1	5.28
Smaller Companies	176.9	190.2	+1.1	4.10
(Accum. Units)	225.0	241.9	+1.4	4.10
Specialised Funds				
Trustee	149.4	157.6	+0.8	6.62
(Accum. Units)	296.8	313.1	+1.5	6.62
††Charibond Jan. 30		103.3		12.90
††Charifund Jan. 30	148.6	150.9		8.03
(Accum. Units)	193.8	196.8		8.03
Pens. Ex. Jan. 29	141.1	148.9		5.95

CORAL INDEX: Close 464-469

INSURANCE BASE RATES

†Property Growth 12%
†Vanbrugh Guaranteed 12.12%
†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg

Alexander Fund	$US7.28			—

Net asset value January 31.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1, Charing Cross, St. Helier, Jsy. C.I. 0534-73741

AHR Gilt Edg. Fd.	£10.38	10.40		11.56

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey 0534 72177

Cap. Tst. (Jersey)	114	118		4.24

Next dealing date February 6.

Gov't Secs. Tst.	149	100		12.00

Next dealing February 7.

East &Intl. Tst. (C.I.)	198	105		3.57

Next dealing date Feb. 8.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127, Kent St., Sydney

US$1 Shares	$US1.48			—

Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	$US112.30	113.38		8.16

Prices at Jan. 25. Next sub. day Jan. 31.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund LF	1,899	1,958	+11	8.04

Barclays Unicorn Int. (Ch. Is.) Ltd.
1, Charing Cross, St. Helier, Jsy. 0534 73741

Overseas Income	43.2	45.5xd	-0.2	1.30
Unidollar Trust	$US11.12	11.77		1.70

[illegible]

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE 01-606 7070

Fonselex	F1,435	1,578		2.90
Bondselex	F130.82	136.85		—
Cent. Assets Cap.	£140.87	140.95	+0.04	—

King & Shaxson Mgrs.
1 Charing Cross, St. Helier, Jersey (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	8.86	8.89xd		13.00
Gilt Trust (I.o.M.)	103.2	105.9		13.00
Gilt Fnd. Guernsey	9.22	9.25		13.00
Intl. Govt. Secs. Tst.				
First Sterling	£17.88	18.00		—
First Intl.	$US192.25	192.88		—

Kleinwort Benson Limited
20, Fenchurch St., EC3 01-623 8000

Eurinvest. Lux. F.		1,126		3.11
Guernsey Inc.	65.2	69.1		4.07
Do. Accum.	81.7	86.6		4.07
KB Far East Fd.		US$13.08		1.43
KB Intl. Fund		$US12.37		1.86
KB Japan Fund		$US38.21		0.65
K.B. U.S. Gwth. Fd.		$US12.26		0.71
Signet Bermuda		US$5.17		3.74
K.B. Int. Bd. Fd.		$US101.54	+0.54	—

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561

Lloyds Tst. O'seas	58.9	62.0		0.24

Next dealing date February 15.

Lloyds Trust Gilt	9.87	9.90		12.00

Next dealing February 7.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneva 11 (Switzerland)

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NOTES

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Intnl. Spring Fair (01-499 7324) (until Feb. 8)	Exbn. Centre, Birmingham
Current	AMEME: Coal Preparation Plant Exhibition (061-832 6541) (until Feb. 9)	Exbn. Centre, Harrogate
Feb. 6—8	London Catering Fair (0428 52785)	New Horticultural Hall
Feb. 7—8	CBMPE London Exhibition (01-637 8841)	West Centre Hotel, London
Feb. 9—10	Cruft's Dog Show (01-493 6651)	Earls Court
Feb. 13—15	Catering, Licensed Trade, Hotel and Club Exbn. (0202 21812)	Falcon Rooms
Feb. 18—22	International Men's and Boy's Wear Exhibition IMBEX (021-705 6707)	Olympia
Feb. 19—22	Photography at Work Exhibition (01-688 7788)	Wembley Conference Centre
Feb. 19—25	The Energy Show (0822 4671)	Exbn. Centre, Birmingham
Feb. 24—Mar. 4	National Custom Car Show 1979 (01-686 7181)	Alexandra Palace
Mar. 12—16	Labex Intnl. (Lab., Diagnostic and Medical Inst. Exhibition) (021-705 6707)	Exbn. Centre, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Feb. 6—9	AIRMEC 79—The Aircraft Maintenance Men's Exbn. (St. Albans 63213)	Zurich
Feb. 8—18	International Motor Show	Amsterdam
Feb. 10—16	International Toy Exhibition (01-439 3964)	Paris
Feb. 11—14	Canadian Hardware Show (021-455 9600)	Toronto
Feb. 13—16	Asia Aquatech '79—Intnl. Water Technology Exhbn.	Singapore
Feb. 20—25	Architectural Profile Systems Exhibition	Basle

BUSINESS AND MANAGEMENT CONFERENCES

Current	University of Bradford Management Centre: Industrial Relations Negotiation (Bradford 42299) (until Feb. 9)	Heaton Mount, Bradford
Current	Cranfield School: Young Managers Course (0234 751122) (until Feb. 23)	Cranfield, Bedford
Feb. 5	Oyez-IBC: Advertising to Doctors and Dentists (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 5	IPM: Unfair Dismissal—everything you wanted to know but were afraid to ask (01-387 2844)	Dragonara Hotel, Bristol
Feb. 5—6	Charterhouse Management: Finance for the Non-Financial Director (01-606 0121)	St. Ermin's Hotel, SW1
Feb. 5—6	Institution of Mechanical Engineers: Engineer and Society (01-839 1211)	Odeon, Marble Arch, W1
Feb. 5—9	IPM: Selecting the Right Candidate (01-387 2844)	Whites Hotel, W2
Feb. 6	Abacus: Rent Reviews and Renewal of Leases (07782 4471)	Kensington Palace Hotel, W8
Feb. 6	Business Perspectives: China's Industrialisation—the role for Britain (01-589 3197)	Grosvenor House Hotel, W1
Feb. 6	BACIE: The Qualification Jungle (01-942 6641)	Park House, W4
Feb. 6	ASM: The Legal Implications of Engineering Contracts (01-385 1992)	Royal Automobile Club, SW1
Feb. 6—8	RRG: Managing the Risk (01-236 2175)	Marriott Hotel, Amsterdam
Feb. 6—7	The Henley Centre for Forecasting: Practical Training in Forecasting (01-251 3841)	Carlton Tower, W1
Feb. 6—8	ASM: Project Management (01-385 1992)	Piccadilly Hotel, W1
Feb. 8	U.S. Expatriate Taxation: Workshop (01-606 5531)	Piccadilly Hotel, W1
Feb. 8	Oyez-IBC: Fringe Benefits for Directors and Executives (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 8	ILP: Licensing Products and Processes—Protection and Profits (01-586 1814)	St. Ermin's Hotel, SW1
Feb. 8—9	Brunel Institute: Identifying Training Needs for Managers and Professionals (0895 56461)	Brunel University
Feb. 9	Oyez-IBC: The Fourth Channel—and the development of Commercial Television in the United Kingdom (01-242 2481)	Europa Hotel, W1
Feb. 12—23	CEI: International Financial Management Seminar (022 471133)	Hong Kong
Feb. 12—13	CRC: The Future of the Rural Community Conference (01-486 1951)	Cafe Royal, W1
Feb. 12—16	CBO: Reliability Engineering, Advanced Technology and Industrial Applications (010-139020)	Rotterdam
Feb. 13—14	IPM: Recruitment Advertising and Communications (01-387 2844)	Whites Hotel, W2
Feb. 13—17	The Clothing Institute: Careers in Clothing and Footwear (01-203 0191)	Hendon, NW4
Feb. 14	Marchmount Conferences: Personal Tax Savings for Directors (01-491 7812)	Hilton Hotel, W1
Feb. 14	ESC: Marriage and Non-Marriage (067-282 2711)	Hilton Hotel, W1
Feb. 14	BMEG: Markets for Building Materials and Components—Where should we be looking? (01-636 6920)	Cavendish Conference Centre
Feb. 14	LAMSAC: Computers and Privacy (01-828 2333)	Royal Festival Hall, SE1
Feb. 14	The Institution of Metallurgists: Fracture Mechanics (01-446 2251)	Northumberland Avenue, WC2
Feb. 14—15	FT Conference: Finance and Trade in the 1980s (01-236 4382)	Frankfurt am Main
Feb. 15—16	Abacus: Counterfeiting and Piracy—Do you really know if your goods are being forged? (07782 4471)	Kensington Palace Hotel, W8
Feb. 19—20	Institute for International Research: Internal Auditors Conference (01-388 2663)	Royal Lancaster Hotel, W2
Feb. 19—20	Frank Jefkins: Planning PR Programmes (01-657 2911)	Connaught Rooms, WC2

Parliament

TODAY

COMMONS — Vaccine Damage Payments Bill, second reading.

LORDS—Ancient Monuments and Archaelogical Areas Bill, second reading. Price Commission (Amendment) Bill, second reading. Arbitration Bill, report stage.

SELECT COMMITTEE—Expenditure, Education, Arts and Home Office sub-committee. Subject: Women and the penal system. Witness: Prof. T. C. N. Gibbens (Room 13, 4.15 pm).

TOMORROW

COMMONS—Debate on the disruption of the education service till 7 pm. Private Business.

SELECT COMMITTEES — Nationalised Industries, Subcommittee A. Subject: Report and accounts. Witnesses: British Waterways Board (Room 8, 4 pm). Joint Committee on Statutory Instruments (Room 4, 4.15 pm), followed by Select Committee on Statutory Instruments.

WEDNESDAY

COMMONS—Nurses, Midwives and Health Visitors Bill, remaining stages.

SELECT COMMITTEES — Nationalised Industries, Subcommittee B. Subject: Report and Accounts. Witnesses: National Coal Board. (Room 8, 10.45 am). Science and Technology. Genetic engineering sub-committee. Witnesses: Officials of Department of Education and Science. (Room 15, 10.30 am). Expenditure. Environment sub-committee. Docklands Action Group. (Room 15, 4.15 pm). Nationalised Industries, Sub-committee E. Subject: Ministers, Parliament and the nationalised industries. Witnesses: Sir Henry Marking; Sir Keith Granville. (Room 8, 4 pm). Expenditure, Social services and employment sub-committee. Subject: Perinatal and Neonatal mortality. Witnesses: Royal College of Physicians; British Paediatric Assctn. (Room 6, 4.30 pm). Expenditure, Trade and industry sub-committee. Subject: UK Domestic air fares. Witnesses Dan Air, Air Anglia. (Room 16, 10.15 am). European Legislation, Sub-committee 1. Subject: Milk Sector Report. Witness: Mr. Edward Bishop, Minister of State for Agriculture. (Room 6, 11 am).

THURSDAY

COMMONS—Crown Agents Bill, second reading.

SELECT COMMITTEES — Nationalised Industries, Subcommitte D. Subject: Consumers and the nationalised industries. Witnesses: National Gas Consumers' Councils, Electricity Consumers' Council, Domestic Coal Consumers' Council.

FRIDAY

COMMONS—Private Member's Bills.

FT Monthly Survey of Business Opinion

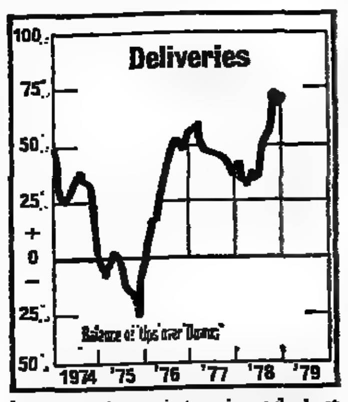
GENERAL OUTLOOK

Confidence has been knocked

BUSINESS confidence has confidence has continued to ebb in the past month. Industrialists are still hopeful about their own companies' prospects, although very much less so than earlier. But optimism about the state of the economy is now at its lowest point for two years.

Many businessmen believe that the present spate of wage claims will force the Government to clamp down and that this, together with growing import competition, will lead to slower economic growth. Another unsettling factor is *uncertainty about the election.*

There was a tendency in all three sectors interviewed last month—electrical engineering, consumer durables and motor vehicles, and stores and consumer services—for firms to say that they were less able to plan for six months or more ahead.



The lorry drivers' strike, which began before the first interviews took place, was regarded as likely to be too short an event to have a lasting impact upon business activity, but there was some concern about the effect on overseas sales.

Exchange rate changes and increased competition were also cited as likely to slow export growth, although prospects generally were still thought to be good.

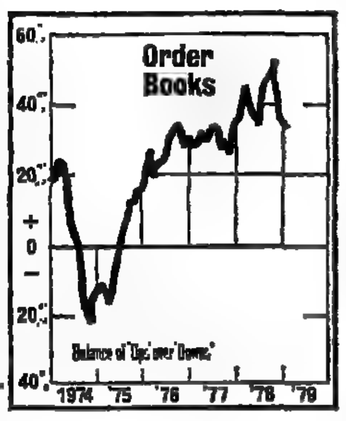
ORDERS AND OUTPUT

Demand is slower

ALL THE FIRMS interviewed last month in the electrical engineering and stores and consumer services sectors reported that their deliveries had been higher in the past four months than during the corresponding period of 1977-78.

In the stores sector in particular this reflected the continuing growth of consumer demand and a bumper Christmas trade. The lorry drivers' strike had affected only a small part of the four-month period to which the questions related.

On the other hand, the same two sectors were less inclined to report increased orders or, in the case of the stores, increased sales expectations during the past four months than they had been in September.



In electrical engineering and also in the vehicles and consumer durables sector, export orders had been affected by exchange rate changes and overseas competition. Some companies also said public sector orders in the home market had been hit.

The index of expected purchases in the next four months has similarly dropped, principally because changed expectations in the durables and stores sectors. But production/turnover forecasts for the next 12 months remain on balance unchanged.

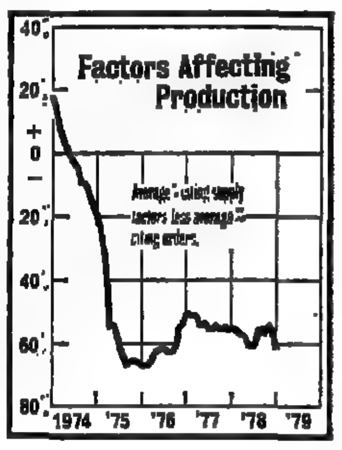
CAPACITY AND STOCKS

Signs of greater caution

ANOTHER indication of the difference of tone between the present pace of activity and future expectations can be seen in the answers to the questions on capacity working and stocks.

The index of firms saying they are working at or above planned output levels for this time of the year has again edged up, although this largely reflects the buoyancy of the electrical engineering sector whereas in the other two sectors there was a tendency for more firms to say they were working below target levels.

There was less inclination, on the other hand, to expect stock levels to increase over the next 12 months. This applied to all three categories of stocks—materials, work-in-progress, and finished products. Again there was a difference between electrical engineering, which had become more bullish, and the two consumer goods sectors.



Current output rates remain dominated by demand rather than supply factors, though complaints of labour recruitment difficulties including executive staff are widespread. The lorry drivers' strike was regarded as too temporary a phenomenum to merit recording in this context.

CAPACITY WORKING

	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Above target capacity	8	14	12	16	7	9	—
Planned output	67	60	61	55	93	50	89
Below target capacity	22	24	25	28	—	41	6
No Answer	3	2	2	1	—	—	5

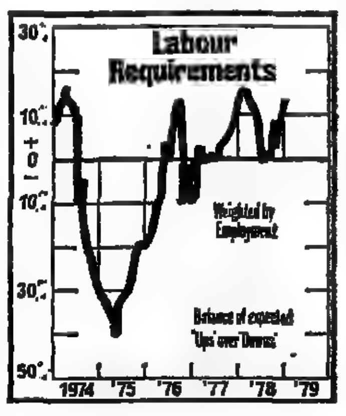
INVESTMENT AND LABOUR

Constraints on all sides

FORECASTS of labour requirements over the coming 12 months have again edged up. But there are constraints on both the demand and supply side.

In all three sectors interviewed last month there was a tendency for more firms to mention that manpower budgets were constrained both by the level of present or prospective demand for their products and by factors associated with the supply of labour.

Among the latter, the most prevalent were plans to raise productivity. This was widely cited in all three sectors last month, more so than in September when they were last surveyed. The next was the difficulty in recruiting staff with suitable skills.



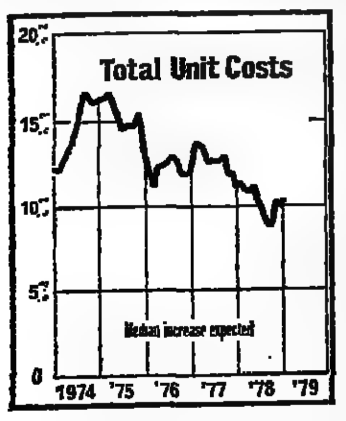
These two factors have been mentioned by about half the firms interviewed in all sectors during the past four months. Overall, supply constraints—including wage costs, and the potential cost of redundancy payments or other aspects of employment legislation — are regarded as more important than demand factors.

Investment plans, meanwhile, remain at a high level with almost half the firms interviewed in the last four months expecting to spend more in volume in the next 12 months.

COST AND PROFIT MARGINS

Inflation worries grow

THE INDEX of inflation expectations, which in the past has proved to be a good indicator of turning points, has been rising since last summer. The median forecast increase for total unit costs — for all sectors — has increased from less than 9 per cent to about 10½ per cent while the median forecast increase for output prices has risen from just over 9 per cent to just over 10 per cent.



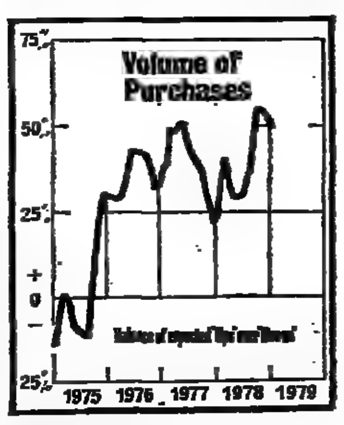
The index for wage costs has remained more steady, at around 11-12 per cent, although there was a fractional increase last month.

This could understate the situation, however, since several firms declined to answer questions on wage cost expectations and there were clear signs of a less rigid attitude to wage claims than in September.

Of those who responded, just under 10 per cent (unweighted) had already settled, about a third said they would reject claims for more than they had budgeted, a sixth would try to resist, 20 per cent said they would negotiate, and the remaining 20 per cent implied they *would pay what they had to to* maintain production.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the *FT-Actuaries' Index*, which accounts for about 60 per cent of all public companies.



The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
More optimistic	25	34	36	42	15	31	17
Neutral	55	51	51	46	31	31	58
Less optimistic	20	15	13	9	54	38	25
No answer	—	—	—	3	—	—	—

EXPORT PROSPECT (Weighted by exports)

Over the next 12 months exports will be:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Higher	71	79	77	72	70	49	—
Same	21	16	18	20	—	50	96
Lower	6	3	3	6	30	—	—
Don't know	2	2	2	2	—	1	4

NEW ORDERS

The trend of new orders in the last 4 months was:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Up	54	58	68	65	54	58	59
Same	11	13	16	21	—	20	6
Down	12	10	7	4	39	—	—
No answer	23	19	9	10	7	22	35

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Rise over 20%	4	6	7	7	7	9	6
Rise 15-19%	10	5	4	5	7	9	41
Rise 10-14%	10	14	13	15	15	13	6
Rise 5-9%	23	21	24	25	39	5	30
About the same	32	33	32	35	32	28	11
No comment	21	21	20	13	—	38	6

STOCKS

	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Raw materials and components over the next 12 months will:							
Increase	34	37	37	45	46	14	52
Stay about the same	49	46	49	38	46	49	41
Decrease	3	4	4	7	8	19	—
No comments	14	13	10	10	—	18	7
Manufactured goods over the next 12 months will:							
Increase	25	31	34	37	7	27	47
Stay about the same	43	40	41	37	54	60	11
Decrease	5	6	5	4	—	9	—
No comments	27	23	20	22	39	4	42

FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Home orders	79	83	82	81	63	55	53
Export orders	63	67	63	60	78	50	24
Executive staff	19	13	14	18	46	28	31
Skilled factory staff	42	45	46	49	46	75	30
Manual Labour	12	7	11	8	32	13	24
Components	4	6	4	7	—	—	—
Raw materials	9	12	9	8	—	—	6
Production capacity (plant)	4	4	5	10	15	—	—
Finance	1	1	1	—	—	19	—
Others	9	6	7	14	15	30	6
Labour disputes	26	25	32	27	39	29	18
No answer/no factor	3	3	3	1	—	—	—

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Increase	30	32	30	27	21	38	39
Stay about the same	53	43	43	55	75	62	60
Decrease	17	25	27	18	4	—	—

CAPITAL INVESTMENT (Weighted by expenditure)

Those expecting capital expenditure over the next 12 months to:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Increase in volume	47	46	48	56	7	72	60
Increase in value but not in volume	8	10	10	8	2	9	—
Stay about the same	23	18	18	15	88	—	40
Decrease	14	16	16	18	3	19	—
No comment	8	10	8	3	—	—	—

COSTS

	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Wages rise by:							
0-4%	—	—	—	—	—	—	—
5-9%	24	24	25	21	32	9	24
10-14%	51	54	56	64	37	45	35
15-19%	8	6	6	3	—	27	23
20-24%	1	—	—	—	—	—	6
Same	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
No answer	16	14	13	12	31	19	12
Unit cost rise by:							
0-4%	1	1	1	4	—	—	—
5-9%	35	34	31	34	85	4	—
10-14%	43	43	43	34	15	69	60
15-19%	3	1	1	1	—	—	11
Same	—	—	—	—	—	—	—
Decrease	—	2	2	2	—	—	1
No answer	18	19	22	25	—	27	28

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total				January 1979		
	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	July-Oct. %	Elect. Eng'g. %	Motor Vehicles %	Stores %
Improve	39	33	32	32	85	40	18
Remain the same	41	40	41	35	15	41	77
Contract	13	21	21	26	—	—	6
No comment	7	6	5	7	—	19	—

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Killinghall (Rubber), 1-4, Great Tower St., E.C., 12.30.

BOARD MEETINGS—
Finals:
Claverhouse Invst. Trust
U.C. Investments
Interims:
Clifford Snell
Stirling Knitting
Vibroplant

DIVIDEND & INTEREST PAYMENTS—
Anderson Strathclyde 1p
Bassett (George) 1.56613p
British Invest. Trust Db. 2pc
Bury 11¾pcBds. Red. 15/12/79 5⅞pc
Central Manufacturing and Trading 1.5p
Doornfontein Gold Mining 11.22956p
East Driefontein Gold Mining 42.11097p
Hapoalim Int. N.V. Gtd. Floating Rate 1983 $474.59
May and Hassell 1.045p
Redditch 11¾pcBds. Red. 5/12/79 £6.0036
Renwick 1p
Scotcros Ln. 3pc
Sterling Credit 0.392p
Warner Holidays Ord. A 0.35p

TOMORROW

COMPANY MEETINGS—
Baggeridge Brick, Midland Hotel, Birmingham, 12.30.
Kelsey Industries, Kelsey House, Wood Lane End, Hemel Hempstead, Herts., 11.
Tomkinsons Carpets, Duke Place, Kidderminster, 12.

BOARD MEETINGS—
Finals:
Evode Hldgs.
Hallam, Sleigh and Cheston
Interims:
Crouch Group
Textured Jersey
Unitech

DIVIDEND & INTEREST PAYMENTS—
A.D. International Ln. 4¼pc
Castlefield (Klang) Rubber Ests 2.25p
Continental and Indust. Trust 2.5p
English and New York Trust Ln. 2pc
Finnello Castors and Wheels 2.1871p
Holyrood Rubber 12p
Hongkong (Selangor) Rubber 8p
Intnl. Distillers and Vintners Ln. 4¼pc
Killinghall (Rubber) Dev. Syndicate 8p
Kloof Gold Mining 16.54435p
Libanon Gold Mining 28.07391p
Muirhead 3.0757p
New Throgmorton Trust Ln. 3½pc
Plysu 0.6786p
Scottish Invst. Trust 1.9p
Sobranie Ord. NV Ord 0.67p
Tomkinsons Carpets 4.1875p
Trustees Corpn. 1.6p
Ventersdorp Gold Mining 5.42217p
Vlakfontein Gold Mining 5.61476p
Webster (Samuel) Db. 3½pc
West Driefontein Gold Mining 112.28564p
Whitbread 4½pcPf. Db. 3½pc

WEDNESDAY, FEBRUARY 7

COMPANY MEETINGS—
Burton Group, Hudson Road Mills, Leeds, 12.
Dennis (James H.), Trafford Park Road, Manchester, 11.30.
Glenmurray Inv. Trust, 8, Crosby Square, 3.30.
Lombard North Central, Lombard House, Curzon St., Park Lane, W., 2.30.
Richards Ltd., Bradford Works, Maberly Street, Aberdeen, 12.

BOARD MEETINGS—
Finals:
Dewhurst Dent
Pratt (F.) Engineering
Scottish Agricultural Inds.
Sterling Trust
Interims:
Benn Brothers
Dowty
Hillards

DIVIDEND & INTEREST PAYMENTS—
Baggeridge Brick 2.607125p
Beechwood Construction 0.5959p (inc. supp. dist. of 0.029p 31/3/78)
Burroughs Corpn. 40 cents
C.H. Industries 0.825p
EMI Ln. 4¼pc
Kelsey Inds. 2.362125p
Maple L. N. 5¼pc
Marling Inds. 1.5p
Metrop. Police (Receiver) 7¼pcBds. Red. 7/2/79 £3.6087

Russell Bros. (Paddington) 1.25p
Tex Abrasives 0.75p
Trafalgar House 2.93p

THURSDAY, FEBRUARY 8

COMPANY MEETINGS—
Guinness (Arthur), Toucan Inn, Park Royal Brewery, NW, 2.45.
Hawkins and Tipson, Grosvenor House Hotel, Park Lane, W., 5.30.
Sorck, Midland Hotel, Birmingham, 12.30.
United Spring and Steel, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 12.

BOARD MEETINGS—
Finals:
Hill and Smith
Imperial Group
St. Andrew Trust
Tribune Invst. Trust
Interims:
M. L. Holdings
Ransom (William)

DIVIDEND & INTEREST PAYMENTS—
Blackburn Var. Rate Bds. 3/2/82 £5.3650
Buffelsfontein Gold Mining 30cts
Dennis (James H.) 1.74p
Elsburg Gold Mining 7.5 cents
Haslemere Estates 1.1p
Illingworth Morris Ord. A 0.55p
London County 6pc 1976-79 3pc
Randfontein Estates Gold Mining Witwatersrand 250 cents
Reed International Db. 3½pc. Ln. 5pc
Richards Ltd. 0.905p
Scottish Homes Invest. 0.875p
Somic 0.952p
Sperati (C. A.) 18.4p
Stilfontein Gold Mining 50 cents
Tar-Ely Variable Rate Bds. Red. 2/2/81 £5.3650
Tamworth Var. Rate Bds. 30/2/82 £5.3650
West Rand Consold Mines 10 cents
Western Areas Gold Mining 11 cents
Wyatt (Woodrow) 1p
Ferranti Ord. 1.917p
Eldridge Pope, Dorchester Brewery, Dorchester, Dorset, 12.15.
Lee (Arthur), Tapton Hall, Shore Lane, Sheffield, 12.30.

FRIDAY, FEBRUARY 9

COMPANY MEETINGS—
Eldridge Pope, Dorchester Brewery, Dorset, 12.15.
Lee (Arthur), Tapton Hall, Shoe Lane, Sheffield, 12.30.

BOARD MEETINGS—
Finals:
Alcan Aluminium (UK)
Glasgow Stockholders

DIVIDEND & INTEREST PAYMENTS—
Agricultural 13¼pcBds. Red. 9/2/79 6⅝pc
American Express 40 cents
Austin (E.) 1.4265p
Baker Perkins 2.1p
Bell and Sime 0.875p
British Tar Products 0.575p
Cattles Holdings 0.95p
Charterhouse Japhet Intnl. Finance B.V. Gtd. Floating Rate 1985 $46.84
Comet Radiovision Services 2.38326p
Dom Holdings 1.792451p
Ferranti Ord. 1.917p
Gillspur 1.2p
Glenmurray Inv. Trust 1.2p
Greene King 3.4472p
Guinness (Arthur) Ord. 5.2195p. Ln. 3½ 5pc
Hounslow 8pc Bds. Red. 15/2/79 4¼pc
London Merchant Securities 0.335p
Middle Witwatersrand (Western Areas) 5.105775p
Moran (Christopher) 1.1p
Paterson (R.) 1.0375p
Phoenix Timber 2p
Serck 4.336p
Trans Oceanic Trust 4p
United British Securities Trust 1.4p
United Spring and Steel 1.0714p
Vaux Breweries 3.54p
West Yorkshire 9¾pcBds. Red. 15/8/79 4⅞pc

SATURDAY, FEBRUARY 10

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Corpn. 13¾pcBds. Red. 15/2/80 6⅞pc
Greater London 12½pc 1983 6¼pc
Malaysia 7½pc 1978-82 3¾pc

SUNDAY, FEBRUARY 11

DIVIDEND & INTEREST PAYMENTS—
Caledonian Trust 0.7p

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1977 June Rolls-Royce Silver Shadow II Saloon. Caribbean Blue, Dark Blue leather. Speedometer reading 10,600 miles.
1976 Aug. Rolls-Royce Silver Shadow Saloon. Silver Chalice, Dark Blue Everflex roof, Blue leather. Speedometer reading 24,500 miles. £26,450
1976 Aug. Rolls-Royce Silver Shadow Saloon. Walnut, Beige leather. Speedometer reading 18,500 miles. £26,750
1976 Aug. Rolls-Royce Silver Shadow Saloon. Willow Gold, Black Everflex roof, Black leather. Speedometer reading 20,00 miles. £26,750
1975 Jan. Rolls-Royce Silver Shadow Saloon. Larch Green, Beige leather. Speedometer reading 35,500 miles. £22,250
1971 Aug. Rolls-Royce Silver Shadow. Caribbean Blue, Black Everflex roof, Dark Blue leather. Speedometer reading 62,000 miles. £14,250
1971 Oct. Rolls-Royce Silver Shadow. Seychelles Blue, Black Everflex roof, Dark Blue leather. Speedometer reading 65,500 miles. £14,250
1969 June Rolls-Royce Silver Shadow HJM/PW 2-door Saloon. White, Black Everflex roof, Black leather. Speedometer reading 51,600 miles. £14,750

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1977 May Rolls-Royce Silver Shadow II in Silver Sand with Dark Brown hide. One owner. Supplied and serviced by us. 25,000 miles indicated. Price on application
1977 Feb. Rolls-Royce Silver Shadow LWB Saloon *in Oxford Blue with Baroda Blue cloth interior.* Tailored Blue cloth seat covers throughout. One owner. Supplied and serviced by us. 24,000 miles indicated. £29,950
1974 June Rolls-Royce Silver Shadow 4-door Saloon *in Shell Grey with Black Everflex roof* and Light Blue hide interior, Speed Control. One owner. 17,500 miles indicated. £24,225

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1976 Jan. Mercedes 350 SL. Yellow with Tan interior. Indicated mileage 31,000. £15,000
1978 Feb. BMW 320 Auto. Topaz Metallic with Beige cloth interior. Radio/stereo. Indicated mileage under 4,000. £6,900
1977 Oct. Ford Granada 2.8 GL Estate. Manual. Oyster Gold with Beige cloth interior. Brown seat covers. Sunroof, radio/cassette player, headlamp washers. Indicated mileage 17,000. £6,550.
1977 June Lancia Monte Carlo Convertible. Bronze Metallic with Tan interior. Indicated mileage 12,000. £5,250

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1977 911 Lux Targa Sportomatic. White, black pinstripe, radio/cassette. 17,000 miles.
1978 911 SC Sport Coupé. Manual, black, red tartant. 11,000 miles.
1978 911 SC Coupé Sportomatic. Arrow blue, cork pinstripe, black look, radio/cassette. 6,000 miles.
1978 911 SC Sport Coupé Sportomatic. Air conditioning, copper metallic, cork pinstripe. 9,000 miles.
1979 911 SC Coupé. Manual, minerva blue, black pinstripe, black look, 500 miles.
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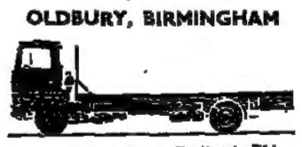

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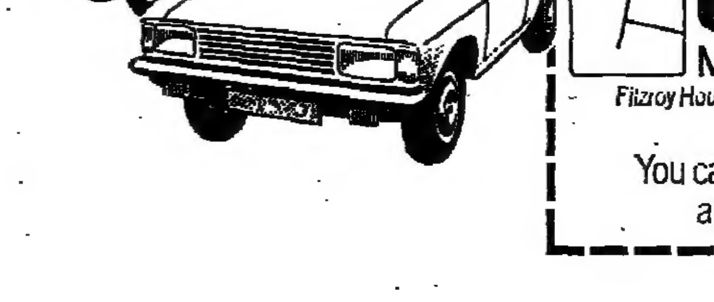

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30 Je 31 D		Do. 7¾pcADeb. '89-92	59	27.11	12.62	14.40
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Jan.	Apr.	Dawes (G. R.)	16	18.10	—	—	—	—
—		Deutsche Bank DM50	£116	—	Q18%	—	2.0	—
—		F. C. Finance	63	16.10	†2.03	2.6	4.8	12.1
—		First Nat. 10p	6	9.74	—	—	—	—
—		Do. Wrrts. 75-83	2½	—	—	—	—	—
—		Fraser Ans. 10p	14	8.76	—	—	—	—
June	Dec.	Gerrard Natnl.	185	30.10	g9.12	—	7.4	—
May	Nov.	Gibbs (A.)	47	2.10	2.23	—	7.1	—
Mar.	Aug.	Gillett Bros. £1	220	7.8	15.41	—	10.5	—
June		Goode D't Mry.5p	20	17.4	0.13	—	0.9	—
Nov.	April	Grindlays	129	21.8	2.79	7.1	3.2	4.6
April	Oct.	Guinness Peat	175	18.9	H5.67	—	7.5	—
Dec.	July	Hambros	187	27.11	†9.76	—	7.8	—
Dec.	July	Hill Samuel	82	13.11	†4.97	—	9.1	—
		Do. Warrants	63	—	—	—	—	—
Sept.	Mar.	Hong Shng.$2.50	308	4.9	h059c	—	2.2	—
June	Nov.	Jessel Toynbee	63	30.10	g3.65	—	8.6	—
Jan.	June	Joseph (Leo) £1	155	27.11	8.74	—	8.4	—

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[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

Apr.	Sept.	Lunuva £1	250	13.3	5.58	1.5	3.3

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

June	Dec.	Messina R0.50	97	12.12	—	—	—

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- △ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ∅ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✱ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sheffield Brick	51	......
Ash Spinning	108	......	Sheff. Refrshmt	70	......
Bertam	19½	......	Sindall (Wm.)	120	......
Bdg'wtr. Est. 50p	327	+2	**IRISH**		
Clover Croft	28	......	Conv. 9% '80/82	£88⅝	−⅛
Craig & Rose £1	615	......	Alliance Gas	109	......
Dyson (R. A.) A	35	......	Arnott	390	−5
Ellis & McHdy	69	......	Carroll (P.J.)	87	+2
Evered	26	......	Clondalkin	97½	−½
Fife Forge	52	......	Concrete Prods.	145	......
Finlay Pkg. 5p	21	......	Helton (Hldgs.)	50	......
Graig Ship. £1	125	......	Ins. Corp	160	......
Higsons Brew	70	......	Irish Ropes	100	−5
Holt (Jos) 25p	252	......	Jacob	50	......
I.O.M. Stm. £1	250	......	T.M.G.	187	......
Pearce (C. H.)	200	......	Unidare	88	......
Peel Mills	24	......			

OPTIONS
3-month Call Rates

Industrials		I.C.I.	20	Unilever	35
A. Brew	6½	"Imps"	6	U.D.T.	4
BOC Intl.	6	I.C.L.	40	Utd. Drapery	7½
B.S.R.	8	Inveresk	7	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	14		
Beecham	32	Legal & Gen.	14	*Property*	
Blue Circle	18	Lex Service	7	Brit. Land	3¼
Boots	15	Lloyds Bank	22	Cap. Counties	4½
Bowaters	14	"Lofs"	4	E.P.	3½
B.A.T.	24	London Brick	6	Intereuropean	5
Brown (J.)	33	Lonrho	5	Land Secs.	16
Burton 'A'	16	Lucas Inds.	25	MEPC	12
Cadburys	5	"Mams"	12	Peachey	8
Courtaulds	10	Mrks. & Spncr	7	Samuel Props.	9
Debenhams	8	Midland Bank	25	Town & City	1¼
Distillers	15	N.E.I.	12		
Dunlop	5	Nat. West. Bank	22	*Oils*	
Eagle Star	10	Do. Warrants	10	Brit. Petroleum	45
E.M.I.	14	P & O Dfd.	7	Burmah Oil	8
Gen. Accident	17	Plessey	8	Charterhall	2½
Gen. Electric	18	R.H.M.	5	Shell	28
Glaxo	40	Rank Org.	18	Ultramar	16
Grand Met.	7½	Reed Intnl.	12		
G.U.S. 'A'	20	Spillers	3½	*Mines*	
Guardian	18	Tesco	4	Charter Cons.	12
G.K.N.	22	Thorn	22	Cons. Gold	12
Hawker Sidd	20	Trust Houses	£18	Rio T. Zinc	16
House of Fraser	22	Tube Invest.	30		

FINANCIAL TIMES

Monday February 5 1979

Tories 'to trim union power'

By Richard Evans, Lobby Editor

A FUTURE Conservative Government would tilt the balance of power away from the trade unions, reduce public spending programmes and re-establish conditions for the creation of wealth as part of a framework for its overall economic policies.

This was predicted yesterday by Sir Geoffrey Howe, Shadow Chancellor of the Exchequer, when he outlined what he saw as "a quite different approach" by the Tories to national recovery.

"They represent no prescription for a miracle cure but a considered programme that will be deliberately and firmly pursued," he says in a letter to his East Surrey constituency chairman.

Tory economic policy would involve redressing the balance of power which existed in British trade and industry.

"As the balance of power in pay bargaining has tipped dramatically away from management towards the unions, our record in industrial production and performance has declined," says Sir Geoffrey.

This trend could not easily be reversed, but it could be helped by a substantial extension of worker involvement on the shop floor, both through works councils and their equivalents and employee share schemes.

Balance

It was as much in the interests of the unions themselves as of the nation that a start should be made on the task of restoring the proper balance in industry, Sir Geoffrey declared.

"We need to consider ways of improving people's understanding of the practical economic effects of life."

Sir Geoffrey, widely expected to become Chancellor should the Tories win this year's General Election, said there would be three main elements in establishing the framework so that policies for managing the economy, public spending, taxation, for earnings, and for industry and commerce could be properly developed.

The first need was for a long-term programme for the stabilisation of the economy which should be spelt out clearly for several years in advance.

At its heart would be a commitment to a steady and gradual reduction in the rate of growth of the money supply until it was consistent with the sustainable real rate of economic growth.

"This is the only way in which inflation can and will be squeezed out of the system," Sir Geoffrey said.

Reduction

It would need to be accompanied by an equally determined programme for the reduction of the excessive Budget deficit to well below its present inflated level of £8.5bn.

The second element of the framework would be designed to re-introduce the conditions in which wealth-creating, and job-creating, industries and business could develop and flourish. *This meant considering two* things—the structure of the tax system and the impact of a cat's cradle of controls.

The over-riding purpose should be to re-create incentive to take risks and acquire skills.

But it would be misleading to suggest that cuts in personal taxation, coupled with the equally necessary reduction in the Budget deficit, could be achieved simply by holding back public expenditure.

It would have to be financed to some extent by shifting the burden of taxation more on to spending.

Deng adds Boeing to industrial tour

BY JUREK MARTIN IN SEATTLE

MR. DENG XIAOPING, the Chinese Vice-Premier, concluded the commercial aspect of his eye-catching American tour with an inspection of the main Boeing aircraft factory here yesterday. China has already bought 10 Boeing 707s, with options to buy a further three 747s.

Apart from last week's anouncement that the U.S. would launch—and China would pay for—a communications satellite, no major commercial contracts between China and American companies have been agreed on Mr. Deng's travels around the country. The Chinese party, however, has been shown a wide cross-section of American heavy and high technology industry, as well as agricultural expertise in Atlanta, Houston and now Seattle.

The commercial and entertainment aspects of the tour have overshadowed the political controversy caused by Mr. Deng's intermittent attacks on Russian aggression. The last time the vice-premier mentioned the word "hegemony" in public was on Thursday in Atlanta.

His subsequent reserve may be partly the result of lack of opportunity, as he has given no set speeches since then, and may also reflect his desire, while still on American soil, not not to make relations with the Soviet Union more difficult for President Carter.

Mr. Deng has generally been warmly received in the three cities he has visited so far, partly because of his evident delight in such diversions as space ships and rodeos.

At the Johnson space flight centre outside Houston, he piloted a space shuttle simulator, and inquired about the toilet facilities used by astronauts in space. Later that day he entered into the spirit of a Texan rodeo and barbecue, at which he donned a stetson, took a ride in a stage coach and contentedly munched on ribs and fiery jalapeno peppers, washed down with beer from a paper cup.

Demonstrations against his visit have not been intrusive. In conservative Texas, there was a coolness on the part of some local officials, and one man, a known member of the Ku Klux Klan, lunged ineffectively at Mr. Deng before being dragged away.

Mr. Deng has toured a Ford car factory near Atlanta (the company's chairman, Mr. Henry Ford, has frequently expressed interest in establishing an assembly line in China). He also visited NASA, Hughes Tool (which has sold drilling bits and other oil exploration equipment to China).

The other vice-premier on the tour, Mr. Sang Yi, whose special responsibility is technological development, has inspected computers and sophisticated medical equipment in Atlanta and Houston. In a side trip to Los Angeles, he talked to Lockheed and McDonnell Douglas.

Here in Seattle, other Chinese officials are examining the operations of the largest west coast container port.

Mr. Deng has discussed China's industrial needs, only in general terms. He has emphasised that China will require billions, not millions, of dollars worth of external assistance for its development programme, and has spoken repeatedly of his country's limited financial resources.

He said that China could expect to become a net oil exporter, but he did not think that this would necessarily provide a vast amount of foreign exchange in the immediate future.

American business, which has looked enviously at growing Japanese and European sales to China, is now extremely interested in the commercial *opportunities afforded by the* normalisation of Sino-American relations.

This feeling has been encouraged by the belief that Congress will probably grant China "most favoured nation" trading status, thus unlocking the door to American government financing and guarantees of China trade.

Senator Henry Jackson, the Democrat from the local state of Washington, has said publicly that China should qualify for such treatment, and it was perhaps for this reason—as well as a certain shared suspicion of the Soviet Union—that Mr. Deng and the senator hugged each other in such a familiar manner on Mr. Deng's arrival here on Saturday night.

Another indication of American interest was provided at the weekend when Trans-World Airlines announced that it was seeking permission to fly to Peking and Shanghai from several American cities.

Industry working parties to be given more support

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

LEADERS OF both sides of industry will join the Prime Minister on Wednesday to pledge their support for a further year's work on the Government's industrial strategy which is aimed at reversing the decline of about 40 per cent in manufacturing industry.

The pledge will be made at a meeting of the National Economic Development Council on Wednesday. Two new areas—cotton textiles and printing—are to be given tripartite sector working parties to examine their problems.

The Prime Minister will be chairman of the meeting and he is expected to spell out the dangers created by the present spate of high wage deals.

He will also stress the Government's commitment to the encouragement of micro-electronic developments and will urge that all the 40 working parties involved in the industrial strategy exercise should consider how their businesses can make use of the developments.

Mr. Callaghan will not be able to produce many statistics to show that the work of the industrial strategy over the past three years has had a big impact But some attempt will be made to quantify the impact in terms of jobs and exports, although the worsening state of world trade has upset the Government's original target.

One of the existing working parties, covering drop forging, is to be abandoned this week because it has made no progress. The organisation of the office machinery working party is also to be changed.

In addition, some Ministers and civil servants would like working parties set up to cover various parts of the motor industry which at present is only indirectly involved through working parties covering areas such as diesel engines and tyres.

But the Industry Department, which has its own tripartite council of motor company chief executives and union leaders chaired by Mr. Eric Varley, Industry Secretary, has resisted the idea.

Future, Page 12

Continued from Page 1

UK hopes

the lead in negotiations on behalf of the British Shipbuilders companies involved.

Estimates of the scale of potential Chinese warship demand vary. Some industry sources suggest that it could provide enough work to see British Shipbuilders through the slump in merchant shipbuilding.

A. and P. Appledore, an independent British consultancy company, has won a contract to advise on the modernisation of the Kwang Chow shipyard in Canton.

British Hovercraft Corporation's invitation to give a seminar in Shanghai is another important development.

The Corporation has received seven Chinese delegations in the past five years. Now it is hopeful that the invitation signals a breakthrough in its efforts to sell both civil and military hovercraft, and hover-platform designs for moving heavy loads on land.

Special steel prices go up next month

BY OUR SHEFFIELD CORRESPONDENT

PRICE increases across a wide range of special steels were announced at the weekend by the British Steel Corporation in Sheffield. Substantial rises in the cost of molybdenum, an essential raw material, are responsible.

Private sector producers have already indicated that they will add a molybdenum surcharge to the price of steel which contain it.

The corporation increases, which come into effect on March 4, vary according to the amount of molybdenum used in the particular grade of steel. Private sector producers will add about £59 a tonne in surcharge.

Molybdenum is used as a tempering element in alloy steels, with about 1 per cent being a typical content. Up to 3 per cent is used in some stainless steel grades to improve corrosion difference—particularly against salt water.

British Steel said that both Treaty of Paris products such as ingots and billets, and Treaty of Rome products, such as tubes cold rolled strip and wire, would be affected.

The decision to increase prices has been difficult for the industry although a surcharge is not unknown in price lists. A nickel surcharge was in force several years ago.

But the substantial molybdenum cost increases came at a difficult time because of widespread speculation that an across-the-board price increase for many special steels is being considered for later this year.

Molybdenum demand, Page 5

Economic optimism lowest for two years

FINANCIAL TIMES REPORTER

OPTIMISM about the UK economy has fallen to its lowest level for two years, according to the latest Financial Times monthly survey of business opinion.

The spate of wage claims, together with other factors—including uncertainty about the election—has eroded business confidence.

But industrialists are still moderately hopeful about their own companies.

Employers believe the lorry drivers' strike was too short-lived to have a lasting effect on business activity, says the survey.

However, many executives fear that excessive wage settlements will force the Government to clamp down and that this, together with growing import competition, will lead to slower growth.

Inflation expectations are now rising again and there are signs of a less rigid attitude on the part of some employers towards wage claims.

Of those who answered questions on this last month, only one-third said they would definitely reject claims for more than they had budgeted.

One-sixth said they would try to resist such a claim. 20 per cent said they were prepared to negotiate the issue and 20 per cent implied that they would pay what they had to in order to secure production although some of these thought they could negotiate a productivity arrangement.

The sample was, however, limited in numbers. Interviews were confined to firms in electrical engineering, consumer durables and motor vehicles, and stores and consumer services.

Business activity generally remains at a high level, with more firms saying they are working at or above planned levels. But there were some signs last month of a slowing down.

Fewer firms reported a higher trend of orders or sales expectations, and forecasts of stock levels over the next 12 months had become less bullish. Export confidence had also declined, although were still regarded as generally good.

Investment plans remain unchanged, however, with almost half the firms interviewed in the last four months expecting to spend more in volume in the next 12 months.

Hopes of improved profitability have risen, despite uncertainties about the future trend of wage costs and sales.

Details Page 40

Weather

UK TODAY

OUTBREAKS of rain or sleet; rather cold everywhere.

London, S.E., S. Cent. England and Channels Islands

Rain or sleet outbreaks with snow on high ground.

E. and N.E. England

Bright intervals. Scattered wintry showers.

Midlands, S.W. England

Dry. Cloudy at first. Sunny intervals later.

Wales, N.W. England, Isle of Man, Scotland, Ulster

Dry with sunny intervals.

Highlands and Islands

Bright intervals and scattered wintry showers.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	15	59	Locarno	S	8	46
Algiers	F	19	66	London	C	4	39
Amsdm.	C	3	37	Luxmbg.	C	1	30
Athens	C	16	61	Madrid	R	11	52
Bahrain	S	24	75	Majorca	C	16	61
Barcina.	C	14	57	Malaga	F	19	66
Belfast	F	3	37	Malta	C	14	57
Belgrd.	R	8	46	M'chstr	C	3	37
Berlin	F	2	36	Melbne.	C	18	64
Biarritz	C	16	61	Milan	C	4	39
Bmghm.	C	1	34	Mntreal.	S	−8	18
Blackpl.	F	4	39	Moscw.	Sn	−3	27
Bordx.	R	12	54	Munich	C	1	34
Boulgn.	C	2	36	Nairobi	C	20	68
Bristol	R	3	37	Naples	C	15	59
Brussels	C	3	37	Nwcstl.	C	4	39
Budpst.	F	7	45	N. York	S	1	34
B. Aires	S	30	86	Nice	C	15	59
Cairo	S	20	68	Oporto	R	14	57
Cardiff	Sl	2	36	Oslo	S	−5	23
Cas'b'ca	S	18	64	Paris	C	1	34
Cape T.	S	31	88	Perth	S	29	84
Chicago	S	−18	−1	Prague	C	0	32
Cologne	C	1	34	Reykjvk.	C	−3	27
Cpnhgn.	C	0	32	Rhodes	C	16	61
Corfu	R	13	55	Rio J'o	C	31	88
Dublin	R	12	54	Rome	S	15	59
Dbrvnk.	R	12	54	Salzbg.	Fg	1	34
Ednbgh.	S	4	39	Singapr.	S	28	83
Faro	C	17	63	Stckhm.	F	−10	14
Florence	C	13	55	Strasbg.	C	3	37
Frankft.	C	0	32	Sydney	C	24	75
Funchal	C	18	64	Tangier	F	17	63
Geneva	C	8	46	Tehran	S	9	48
Gibrltr.	C	17	63	Tel Aviv	S	17	63
Glasgow	S	5	41	Tenerife	S	21	70
G'rnsey	C	5	41	Tokyo	S	14	58
H. Kong	C	15	59	Toronto	Sn	−7	19
Innsbrk.	S	6	43	Tunis	C	18	64
Invrnss.	F	1	34	Valencia	C	18	64
Istanbul	C	11	52	Venice	Fg	5	41
Jersey	C	5	41	Vienna	S	6	43
Jo'burg	C	31	88	Warsaw	C	1	34
L. Plms.	S	19	66	Zurich	C	3	37
Lisbon	R	15	59				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

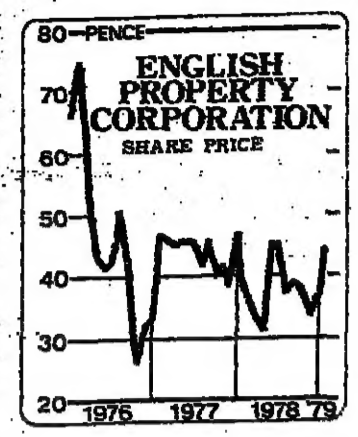
Outlook: Mostly dry with sunny intervals, but with some wintry showers in Scotland and perhaps some rain or sleet in South-West England later. Frost and fog patches.

THE LEX COLUMN

English Property's self portrait

The property revaluation published by English Property Corporation over the weekend puts fully-diluted net assets at 68p per share, compared with the latest offer of 46p cash per share which the Dutch bidder, Wereldhave, announced on Friday. And the draft accounts present a very different sort of company from the EPC which was described in Wereldhave's original offer document.

According to that, EPC had become *the victim of* "a vicious circle from which there may be no exit." By contrast, EPC's figures suggest that the company is at last pulling out of a period of severe financial strain, and heading towards better days with its dividend intact.



Which picture is correct? The answer, of course, lies somewhere between these two extremes. EPC is still having to cope with a big cash drain on its revenue account, where the outflow in 1977-78 (after allowing for dividends) is about £13m, and its financial gearing remains very substantial, with borrowings of £484m supported by shareholders' funds of £71m and minority interests of £98m.

But at least the numbers are moving in the right direction. The amount of interest capitalised in the latest period fell from £20.1m to £13.3m: two years ago, the figure was £26m. The balance between development properties and completed investments is looking much healthier—developments now represent less than a sixth of the total portfolio—while outstanding capital commitments outside North America are down to relatively modest proportions and the latest revaluation has not produced any new skeletons. If one assumes (as EPC now does) that a £33m shortfall on properties in Brussels should have been provided for a year ago, then shareholders' funds show a modest improvement over the year.

Given time, and a bit of luck, EPC's debt mountain could be reduced to more manageable proportions. However that is not to say that the shares are worth anything like 68p today, even to a bidder. The point on which Wereldhave is likely to concentrate its attack is the way that EPC values its major investment in Canada, the Trizec Corporation. Part of this interest is held directly by EPC, but a more significant stake is controlled via a partly owned subsidiary. The result of this highly complicated structure is that although EPC can claim equity control of Trizec, it does not have voting or management control. The question is whether it is right to consolidate this investment at net asset value, or whether there should be some form of discount to allow for the fact that EPC is not free to do what it likes with these assets.

Obscure stuff, perhaps—but it makes a very material difference to the numbers, since the net attributable value of the Trizec stake is put at £52m. Doubtless there will be more about this in Wereldhave's revised offer document, which is expected later this week. Meanwhile, EPC is putting on a brave face to the news that Eagle Star—which owns nearly 27 per cent of its shares and is far and away its biggest institutional shareholder—has decided to accept Wereldhave's latest offer unless anything better turns up. And it also says that it is taking very seriously the possible bid approach from a private Canadian company, Olympia and York Developments, which was announced on Friday.

Pensions

The latest clash in the accountancy profession is between the "spreaders" and the "write-off" men. The question at issue is the thorny old problem of accounting for pensions—and unless agreement is reached soon companies could be without an accounting standard on this subject for at least another couple of years.

What has spurred the accountants into action is the belief of some auditors that companies may be using provisions for pensions as one way in which reported profits can be smoothed or adjusted as desired—typically by making large lump sum "topping-up" payments. One of the largest of these peak year provisions was the £54.3m back service pension charge in the BP accounts for 1974: subsequent U.S. prospectuses have pointed out that this reduced 1974 net income by £50.4m compared with the figure which would have been produced by generally accepted U.S. accounting principles.

On one side are the accountants who take the view that companies should provide for future pension liabilities at a consistent rate—the spreaders. A liability to fund future pensions would be arrived at actuarially, and the proposal is that provision should be made for this in company accounts over the average remaining working life of employees—say 20 years. The distorting impact of special pensions payments would be removed by treating the amounts involved as prepayments in the balance sheet.

But there is an opposing faction among accountants. Their view is that amounts over and above the annual pension charge should be written off because the "asset" cannot be recovered. The write-off men place a high premium on prudence.

In the middle, but no doubt willing to compromise, sits the chairman of the Accounting Standards Committee, Mr. Tom Watts. He leans towards the spreaders, but believes there is an urgent need for some sort of accounting advice. Unless a compromise is in fact achieved, the ASC could well come up with nothing more than a disclosure standard. This would not help with the finer points of presentation.

There are, after all, various types of pension provisions. Top-ups may be required because previous acturial assumptions about salaries and investment returns have been too wide of the mark. But companies sometimes want to provide for extra benefits, or give ex gratia increases to retired pensioners. Last year Debenhams charged a £5m payment for ex gratia rises as an extraordinary item below the line, but in 1976 and 1977 Boots had charged extra pension contributions directly against profits.

The recent fall in inflation has eased the problem, but wage rises have again picked up sharply. This could soon focus attention once more on the need to define what is normal, exceptional and extraordinary in this area, and to set limits on the flexibility of companies in timing their provisions.

EEC seeks flexible farm deal

BY MARGARET VAN HATTEM IN BRUSSELS

EEC FARM MINISTERS meeting here today will formally begin negotiations on Commission proposals, presented last week, for this year's farm price review.

It is already clear that they can achieve little until France and Germany work out a compromise on the phasing out of Monetary Compensatory Amounts, the subsidies and levies on farm trade which keep German farm prices 10 per cent above the common level fixed in units of account, and French ones 10 per cent below it.

The Commission's proposals tread *gingerly between France* —which wants the amounts phased out automatically and is refusing to lift its reserve on the introduction of the European Monetary System until a formula for this is agreed—and Germany, which is resisting any form of binding commitment because a subsequent appreciation of the Deutsche Mark would bring a drop in German farm incomes. The Commission has proposed a flexible formula, conditional on the success of the EMS, with provision for measures to help German farmers.

But by proposing a freeze on common prices for this year, the Commission has, for the moment, sealed off one option for compromise, putting the onus back on France and Germany to find another.

They are expected to attempt *this during bilateral talks in* France in a fortnight, in the hope of agreeing on a formula which could then be put to EEC Heads of Government at their meeting in Paris next month.

To succeed, such a formula might have to be sufficiently ambiguous to allow the French to claim they had tied the Germans down, and the Germans to explain they had kept their options open.

Diplomats in Brussels suggest the French miscalculated by trying to force an issue so sensitive to German domestic politics and may be ready to settle for a loose commitment with the Germans.

However, Herr Josef Ertl, the German Farm Minister, will not be tied to any deal which might cut his farmers' incomes. Since he apparently cannot persuade the German Finance Ministry to *make up the difference by in*direct national subsidies such as VAT exemptions, he is digging in and waiting for someone else to make an offer.

Jonathan Carr in Bonn adds: Herr Ertl is expected to insist that West German monetary compensatory amounts can only be removed step by step in the context of the reviews.

According to sources close to him, Herr Ertl cannot therefore favour timetables for an automatic phasing-out of the amounts, such as those proposed by the Commission.

He would be ready to accept a price freeze for this year—but in that case, no start could be made on removing existing West German monetary compensatory amounts.

Herr Ertl is known to feel that acceptance of a timetable on the amounts not directly *linked to the price reviews* might undermine the income development of German farmers, and would tie the hands of any future Bonn farm minister. He is understood to be ready to resign rather than accept those consequences.

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